

HOW TO COLLECT MONEY PROMPTLY

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HOW TO WRITE EFFECTIVE COLLECTION
LETTERS—TESTING AND PLANNING A
SERIES—RETAIL, INSTALMENT, AND
WHOLESALE ACCOUNTS—CREDIT
SYSTEMS—COLLECTION SCHEMES AND
LEGAL STEPS—HOW CREDITORS CAN
CO-OPERATE

OVER 200 MONEY GETTING PLANS
ADOPTED BY SUCCESSFUL
BUSINESS MEN



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Part I

PERSONALITY LETTERS THAT SETTLE MOST ACCOUNTS

Make Your Letter Talk

MEN neglect at long range—they cheat in the crowd. It's the stranger that is sent off with scant consideration.

When a man dodges payment, he dodges creditors. Neighbours are easiest remembered—close-at-home debts are first paid.

Get close to your man. Keep your debtor in sight. In your letter, "talk it over" with him personally.

Most accounts are lost because the debtor feels sheltered by the mass—because your letter comes as one of hundreds put out to delinquents you follow in droves.

Make the man who owes you money feel your presence. Stand him out alone. Get to him with your reminder *on the day*.

Talk to him man to man. Make his debt a matter between neighbours. Keep a shrewd but kindly eye upon him. Let your letter *show precisely—undeniably—why it is an advantage to him personally to pay you in particular*.

Go to him with your letter as you would in person. Let him feel that you know and read him.

Make your letter talk.

MAKE YOUR LETTERS CLASSIFY YOUR DEBTORS

WHEN YOUR DEBTOR SEEMS

A GOOD PAYER.

REMINDE HIM THAT:

Your accounts must be kept straight.
He may have overlooked account.
You need money for a special purpose.
Small accounts must be closed promptly.

A SLOW PAYER.

BECAUSE HE IS CARELESS PULL HIM UP BY:

Hinting at more drastic measures.
Threatening to put him on cash basis.
Following up more closely.

BECAUSE PAYMENT IS NOT CONVENIENT SHOW REASON FOR PAYING BY:

Offering inducements.
Holding up orders.
Showing mutual gain.
Showing loss by slow payment.

A BAD PAYER.

BECAUSE HE IS DISSATIS- FIED WITH PURCHASE RE- SELL HIM BY:

Using tact and patience.
Giving new proof of value.
Re-awakening need for goods.
Satisfactorily adjusting complaint.

OR BECAUSE HE THINKS HE CAN'T PAY HELP HIM BY:

Suggesting collection plan for his trade.
Personal talk.
Extending payments.
Accepting his note.
Taking rate payments.

OR BECAUSE HIS INTEN- TIONS ARE DISHONEST COERCE HIM BY:

Warning him.
Threatening him.
Using collection agency.
Calling in solicitor.
Bringing him to court.

CHART I The debtor's reply to a letter denotes the kind of talk necessary to bring in the balance due. Begin with "good pay" arguments and proceed through the chart until the attitude of delinquent is determined.

CHAPTER I

HOW TO ROUSE THE WILL TO PAY

IN the majority of cases debtors have no intention of deliberately evading payment although their neglect to reply to letters may suggest that they are not willing to honour the obligations they have incurred.

Circumstances may exist which are difficult to explain, and many people who owe money and who are in temporary financial straits are loath to disclose their difficulties to others.

There are, however, a great number of debtors who are able and not unwilling to pay, but who just don't respond when they should—they put off payment time and time again, failing to appreciate the importance of that debt in the books of the creditor.

Once they are roused with the thought of paying it is possible to put into them the will to pay, and they pay without more ado.

Deciding upon the kind of debtor with whom you have to deal is a trick which appears difficult at first glance, but, when you get the knack, is comparatively simple. Collection managers group debtors into three great divisions: *good pay*, *slow pay*, and *bad pay*. Every business, no matter how small or how large, can get information that pigeonholes most debtors in their proper class.

The retailer, for example, has his personal knowledge of his customers. That failing, other shopkeepers can throw light on the character of delinquents.

If you have a multitude of accounts to handle, get the needed intimacy by a study of the personality betrayed in the debtor's correspondence. Look over the letter twice before attempting to picture your debtor to your-

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self. The first reading brings out facts. The second develops an impression of the man. See if your debtor is trying to evade your question ; whether his excuses ring true or false. See if he is craftily playing you for more time. Is he ignorant, obstinate, careless, dull ? These are some of the facts to be sought between the lines of a letter.

A Collection Letter will Help You to Size Up a Debtor by His Reply

When a successful correspondent encounters an obdurate debtor, he puts off the writing of his letter until he has made a regular round in search of data. He examines the man's records, finds what people in the firm know of the prospect's business policies, competitors and methods of holding trade. Salesmen are called upon occasionally to help with the personal peculiarities of a delinquent.

But if you find your sources of information limited, *make the collection letter clear the way*. Avoid the common mistake of showing irritation in your first letter to a debtor. Begin in a friendly, genial manner, and *make the delinquent classify himself by his answer*. Then take the proper steps to make him pay up in quick time. One or two form letters filled in and mailed by inexpensive assistants will dispel the doubts existing about a debtor and put a definite problem up to you. Your task then narrows down to that of selecting and presenting the kind of talk which fits the case.

Straightforward talk, teeming with human interest, is the magnet which draws the money from the debtor's pockets. When you have classified your debtor, get on his side of the fence and see the situation through his eyes. Make him feel from your first word that your interests and his are mutual. The correspondent who

Dear Sir,

*No regrets
necessary
Too much
" we "*

We regret to be compelled to again call your attention to overdue payments on your account. You agreed to send us a remittance regularly each month and we have, naturally, planned on receiving the payments in this manner.

*" We " again
predominates
Weak No
arguments*

This notice is sent where a list of customers is small and where it does not pay to send a collector or where you have moved from the place where the goods were leased and taken them with you. It is our impression that you do not realise that by doing this you forfeit all claim to them by violating the terms of the lease.

True

" Honesty is the best policy," and, therefore, an immediate settlement will save all future trouble, annoyance and expense for all parties interested.

*Practically
an invitation
to delay*

We shall continue to remind you of your duty in this matter from time to time until the account is settled or until you compel us to resort to harsher methods. We do not intend to be offensive or impolite, all we want is the money you owe us.

*Lacks " do it
now " element.*

Trusting that you will give this matter your prompt attention and awaiting the remittance requested, we are,

Yours faithfully,

Letter written by a furniture dealer as second of a series of collection letters. The " we " element prevails throughout. Instead of showing the delinquent why he must pay or making it to his advantage to do so, the letter bristles with weak reasons as to why the writer needs the money. The collection methods of the writer and the system in use are of no particular interest to the customer. The writer's " impression " that the customer may lose title to goods raises doubt instead of conviction in the debtor's mind. The fourth paragraph is, practically, an invitation to continue to delay. " Trusting " instead of " insisting " in the clincher paragraph is the final touch of absurdity.

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Dear Sir,

*Straightforward
appeal for a
square deal*

We dislike to believe that our two previous letters relative to the amount due on your contract have been ignored by you either through a lack of courtesy or to evade the payment of a just debt.

*Specific,
tactful,
warning,
tolerant,
without
weakness*

We certainly feel that we had a right to expect at least an acknowledgment of our letters, but we are still desirous of extending every possible courtesy to you consistent with good business policy. Bear in mind that the piano is our property until fully paid for. When you violate your contract you forfeit all rights to payments made. But in view of our friendly relations, we shall defer any further action in the matter for a few days in order to permit you to arrange for making the payment.

*We'll help you
attitude.*

If there is any valid reason why you are unable to meet this obligation at the present time, you should arrange to come to our office immediately that we may talk the matter over together.

Let us hear from you, therefore, within the next day or so, either by a personal call or letter.

Confidently awaiting a remittance by return post, we are

Yours faithfully,

In re-writing the furniture company's letter, the correspondent took a more humane view of the debtor and wrote in a frank friendly tone certain to rouse good feeling in the heart of the debtor (In earlier letters an opening of this sort was followed by selling talk such as excerpts from testimonials by other purchasers) In the second paragraph the writer, instead of hurling platitudes at the debtor, appealed to his sense of fair play and shame Then, without weakening his demand for payment, he showed that he was willing to be fair, emphasising his attitude with a hint of the power that he held over the debtor In closing, the writer, instead of tossing a hackneyed maxim at the reader, implied his real belief in the debtor's honesty by "confidently awaiting" a remittance

learned that a customer's home had been destroyed by fire and offered an extension of time on an overdue account showed a lively appreciation of his delinquent's troubles and established cordial relations which settled a recurring business worry.

Playing Upon the Debtor's Personality—the Keynote of Every Successful Collection Letter

Get the "I'll-help-you" attitude in your letter. You will draw big dividends on that small investment. Let your debtor realise that your desires are his desires in a similar situation and state your case frankly in terms of a square deal. There need be no lack of dignity or firmness. You need no note of apology or humility. To give your letters life, get in intimate touch with your prospect.

An analysis of proved collection letters shows this "you" interest appearing in dozens of ways, limited only by the skill and experience of the collection correspondent. Wherever the motive appears and however it is applied, it can be placed under one of five great divisions: *pride, utility, caution, money, and self-indulgence*. All these are common to humanity, and all human endeavour can be traced to them as causes. Study them and select the form in which you can best apply them to the cases which worry you.

If your records show the delinquent to be a man of prominence in his community, to bear down on the pride motive will get returns. Dwell on the humiliation and embarrassment which attend a summons for debt. Awaken his moral sense to the necessity of paying. An appeal to his sense of honour and fair play gets results. By showing your high esteem of the debtor's character and ability, you convince him that payment is his only way of keeping himself on the pedestal where you have placed him. Caution the cunning man who seeks to take

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advantage of your liberal business policies. Show him that his action is losing him more than the amount of his bill. Proof that you are in touch with his other creditors will do the trick.

Utility touches all of your debtor's solid interests in life—the conveniences, necessities and uses which credit, good reputation and freedom from collection embarrassment supply.

Remind the dealer, the consumer, the man who owes for trade or professional service, that inconvenience—loss of reputation—perhaps want—trails at the heels of non-payment, and you have made a strong case for your business.

Emphasising the Embarrassment and Trouble which Loss of Credit Entails

An office appliance firm has found that a reminder of the possible loss of credit standing will often bestir even the slowest of debtors into paying up an account, provided the right sort of letter is used.

This firm feels that a letter of this type should not be sent until all other means of getting the money have been exhausted. This means that it goes to only such debtors as have by their own actions placed themselves in the "difficult" class. Here is the letter which this concern sends out :

We have placed with our solicitors, Barker and Barker, 63 High Street, for collection, a claim against you. This claim has been assigned to them with the understanding that we will prosecute unless settlement is made at once. This would not only cause you considerable trouble and costs, but place you in an embarrassing position as well.

We granted you credit on your signed order, purely on your word of honour, despatched the goods and you accepted them. We have written you many letters appealing to your sense of honesty, without result. Evidently you do not realise your position.

While your action might be considered of the deliberate "difficult" variety we have felt that your failure to pay has

perhaps been due to carelessness or to the fact that you do not realise the distinction between mere delinquency and deliberately unfair tactics, and so we have hesitated to drag the matter into court, where your credit standing certainly would suffer.

Before taking decisive action, we now give you a final opportunity to settle this claim without costs or trouble. It will not alter your case in any way to attempt to return the goods now. The matter is assigned for collection and payment must be made direct to our solicitors at the address mentioned above.

We expect to hear from you within three days—otherwise we shall take it for granted that you are prepared to defend this action, and our solicitors will therefore take steps to protect us in any way they may see fit.

If this letter gets no reply this company usually sends a man to call on the delinquent, to determine finally whether it will be necessary to take legal action to force the debtor to pay. While, of course, the plan is a little severe in some instances, as a whole it works out well, according to the collection managers.

How to Show the Debtor that Prompt Payment Is to His Advantage

When the owner of a general shop wrote his slow pay customers that a prompt payment of their bills would enable him to take advantage of a break in the market and buy at a heavy discount, his customers saw the money appeal in the reduced values which the dealer promised to share. He said :

"This letter will show you how you can save big money on goods you buy of me. Hereafter you will share in the profits on such purchases. This is my profit-sharing plan."

He followed this attention-getting paragraph by a heart-to-heart talk, showing that prompt collections enabled him to buy and sell cheap, and that prompt payment meant profit sharing. Other creditors apply the money appeal by offering premiums and discounts, or by pointing out the debtor's chance of losses.

A manufacturer now well established started in business with only the proverbial shilling. When someone

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asked him what he considered the requisites of success in business he replied : "Honesty, hard work, and credit, but the most important is credit."

It is therefore but natural for him to emphasise to his delinquent debtors the value of protecting their credit, and all his collection letters contain that line. When these letters fail, he encloses a card on which he has epitomised his ideas about credit. It reads like this :

IF EVERY MAN WOULD REMEMBER THAT A ONE POUND DEBT MAY DESTROY THE CREDIT THAT TOOK NINETY-NINE POUNDS TO ESTABLISH—HE WOULD GUARD THAT CREDIT

"I believe," this manufacturer declares, "that it is as important for me to educate my customers to pay as it is for our salesmen to educate them to buy, and my plan of teaching them the value of credit has, with few exceptions, attained this object."

CREDIT INFORMATION AND ITS SOURCES

YOUR SALES RECORDS INDICATE.

Debtor's Business Capacity.
Past Credits with You.
Sales Value as a Customer.

YOUR SALESMEN CAN DESCRIBE.

Debtor's Business Ability.
Attitude to your Firm.
Personality.

DEBTOR'S PAST CORRESPONDENCE SUGGESTS:

Debtor's Education.
Characteristics.
Business Background.

AGENCY REPORTS SHOW:

Debtor's Standing.
Business Record.
Ability to Pay.

MUTUAL FRIENDS KNOW.

Debtor's Popularity.
Social Standing.
Public Position.

PERSONAL INTERVIEWS DEVELOP:

Impression of Debtor.
Business Affairs
Intentions and Ambitions.

CHART II Get information about your man. Every correspondent has within reach a mass of formal and informal information about customers. Consulting these sources will determine collection methods and suggest arguments to fit every case

Every debtor's account shows some twist, some turn, which by merely casual inspection will suggest a scheme of collection. The reader of a collection letter is torn by conflicting emotions. His instinctive prompting to pay is followed by the impulse to delay. Appeal then to the feeling and not to the intellect.

*This Plan for Helping the Debtor to Pay
Proved Successful*

"Make it easy for your debtors to pay," says a trader, "and you make it easy to collect old accounts. During my first few years in business, it seemed as though I couldn't do anything with the accounts that slipped over the line into the slow-pay class. Finally I saw why. It was simply because I was making it hard for the people to pay.

"One man who had fallen behind because of sickness owed me £5. I knew that £5 in one payment was out of the question, but I felt that he could and would pay 5s. a week. The scheme worked so well that I tried it with others, explaining my willingness to be lenient and asking for the five or ten shillings that I felt could be spared. By urging them not to wait until they could square up the whole amount, I commenced to get results, slowly but surely. In fact, instalment collections have had more to do with my success in cleaning up old accounts than all other factors combined. They make it easy for the debtor to pay."

Force and threats of force, except in extreme cases, lead to nothing. Write from the salesman's point of view—for there is salesmanship in the right kind of collection letter. In one case you sell goods, in the other you sell satisfaction. In both cases you play upon identical human instincts.

Logic, tact and diplomacy, clever wording and deft

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argument in a letter are appropriate to progressive business methods and will arouse a willingness to pay.

"It is my experience that asking a debtor for money can be made just as dignified and courteous as trying to sell him goods—and doing so keeps the customer in a friendly attitude. A grouchy letter may lose to a house the business it has'been years in developing," says one manager.

"Here is the letter we send to a customer who has sent in another order after he has overstepped his credit limit":

After careful consideration of your recent letter we are sorry to inform you that we have decided to hold back the order. We regret this, I assure you, quite as much as you do, but our unalterable rule leaves us no alternative.

We do not in the least like to lose your account, and we sincerely trust we may, in the near future, come to some agreeable understanding.

It is to be hoped that you will soon be in a position to clear up the outstanding balances against you.

Our action with regard to your case is to be especially regretted owing to the lateness of the year. We still feel you will be best served if you send us £12 and let the goods go forward. We say this because we realise what it means to go into the open market at this season.

Please let us hear from you at once, as we are badly off for storage space and in a few days we will be compelled to unpack your goods and put them back into stock, unless we get word from you.

"This is in reality a collection letter aimed primarily to get the money by deftly suggesting to the customer how hard it would be for him to go into the open market; and the fact is driven home that he cannot hope to have his order filled without a substantial payment on account, for he is assured that the goods will be unpacked unless he writes soon. It is a blending of collecting and selling and, while it may hurt, it gives the necessary prod to an easy-going customer, and shows him that he cannot expect continued credit unless he looks more diligently to the payment of his bills."

CHAPTER II

HOW TO WRITE A COLLECTION LETTER

HUNDREDS of arguments can be made in hundreds of ways to a debtor of any class. When you have classified your man, therefore, think—deliberate. *Don't dictate the first idea that pops into your mind.*

The "you" appeal does not require a page riddled with the personal pronoun. Get a mental picture of your prospect. Try to forecast the mood in which he will receive your letter and write in a way that meets that mood, for the best collection letter is a mirror to your reader. He looks at it and sees himself. To be effective make your letter play upon traits common to mankind, but which your reader thinks peculiar to himself.

In a specially dictated letter, you can get in contact with your customers by touching upon personality. In your form letters, build your arguments upon oddities of mind and temperament which the individual can apply to himself. But even after you have pictured your man at his desk and selected the motive to move him, your task is only half done. Make your letters remove, as far as possible, the disturbing influences which surround every busy man. Then, in composing, aim for the four points which make up a good collection letter. *Get attention, hold interest, present arguments and inspire action.*

"My aim in letters to debtors is always to convey the idea that I am master of the situation," is the statement of a wholesaler whose business is on the upgrade. "I approach the debtor firmly, yet courteously. Before I dictate I convince myself that it is going to bring the money. Therefore my letter never wavers or permits the debtor any doubt of my intentions.

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"I never beg for payment. I eliminate such phrases as 'if convenient,' 'we shall appreciate,' 'will you,' 'can you not.' They are weak, and suggest to the debtor that he may, if he wishes, have more time; they give him an opportunity to put you off. Moreover, I never suggest an excuse for my asking the debtor to pay promptly, other than the fact that the order which he signed gave him just so long to arrange for payment. Excuses employed by some collection men—like the old one, 'we are in need of funds'—are seldom effective. Yet, all through my correspondence, I try to manifest the utmost fairness.

"The 'we' element is eliminated as far as possible. Wherever possible to do so, another word is used, or the 'we' is left out. The 'you' element predominates."

Give Your Letter the Direct "Drive" of a Powerful Selling Talk

Keep your man's education and business experience in mind. Write as nearly as you can the kind of letter he would send you in similar circumstances. When you dictate, keep your man's classification in mind, or if he has written you, take another look at his letter and make it picture the type of man with whom you deal. Use language that your prospect will understand. The untaught country man is irritated by the crisp business tone of a letter which sounds "pat" to the busy city man. On the other hand, the rural reader will leisurely assimilate a wordy appeal which the hurried townsman dismisses in contempt.

No matter whom you address, strive for simplicity. Be direct, straightforward and clear in composing, for the reader has at each point but a limited amount of mental power available. To interpret your word-symbols requires part of the reader's power; to get the thought

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suggested by them requires a further part; and only what mental power remains can be used for the decision you want. Hence, the more time and attention it takes to receive and understand each sentence, the less time your debtor can give to your idea—the less vividly will that idea be conceived.

Adopt a habit of using short words and short sentences. State your points so that the man need not go backward and forward to connect them. Ideas should be understood as they appear. Be brief. Find the contrast, the likeness, the thought-flash and word short-cut to your points.

One man found the idea for a successful collection series by watching passengers in a suburban railway station. Some, attracted by the piles of magazines, idly thumbed the pages. Some passed on; others remained to read. When they heard the rattle of the approaching

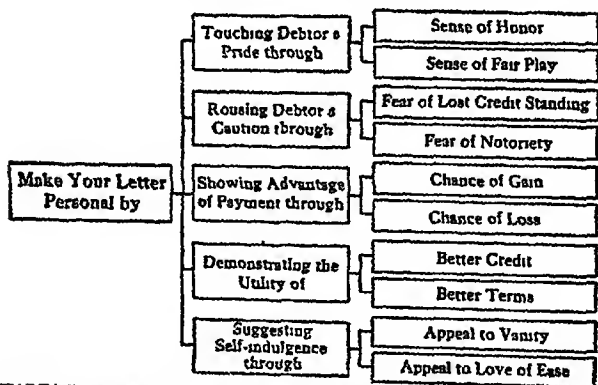


CHART III Know your man—then let him know that you know him. Make him realise what credit standing means and show him how essential settlement is by writing your letter on these vital themes

train, they groped for a coin, tossed it on the counter and joined the rush for seats.

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LETTERHEAD	
Name and Address of Debtor	Date
Dear Sir—	
Compel Attention By a startling statement, or By awakening curiosity, or By advancing a new proposition	
Arouse Interest by an Approach Which Is timely, or Is intimate, or Has new value	
Argue for Payment because of the Debtor's Profit as Regards Money Utility Caution Pride Self-indulgence	
Impel to Prompt Action by Making remittance easy Concise summary of advantages payment will bring debtor Rousing debtor's instinct to act without reflection Advancing a further advantage or condition that hinges on immediate payment	
Yours very truly,	
Signature	

Good or bad "make up" in the collection letter has much to do with its effectiveness. A neat note will get action when the careless letter fails. Best usage limits the collection note to four paragraphs. The first hooks attention by means indicated in the chart. The second paragraph lays the ground for argument by interesting the reader. The third paragraph presents reasons for paying, while the fourth realises on the good intentions called up by vitalising them into action.

"Their attention was attracted. The timely interest of the article said, 'Buy me.' The approach of the train compelled decision," mused the business man, as he reviewed the incident at his desk the next morning.

Adopting the idea, he broke away from the stereotyped openings which had hampered his former letters. He first tried his new scheme on the safe but careless debtors, and opened the letter with the question :

"Will you be good enough to let me know if the enclosed statement is correct?"

"That will get attention," he thought, "for even the man who won't pay his bills doesn't care to be dunned for more than he owes."

Realising that the reader would be liable to throw the letter aside on recognising it as a dun, the collector reassured him in the next paragraph by saying :

"Please do not consider this note in any way a demand for direct payment."

The delinquent was then adroitly led into an argument which explained that the books of the company were to be audited and that prompt payment would establish credit. The letter concluded with this suggestive sentence :

"Cheques should be posted as usual to the branch from which goods have been purchased"

In this letter, attention, interest, argument and clincher followed each other in logical sequence, and through their clean-cut appeal brought in the money.

A scheme for getting attention, such as used by this man, must lead every letter. The average reader picks up a collection letter as one of a dozen. He is hurried. His head seethes with business problems important to him. You have to make your business as important as his own. The salesman who fails to get attention with an opening sentence can make a quick change of front.

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The letter writer has to take command in the first sentence and batter down a wall of opposition in quick, sure strokes. Any one of men's five classes of motives may be used.

One collector depends upon curiosity to get attention and lead into interest. He opens his first letter with the remark :

"We were talking about you in the office this morning."

The record of results from the letter showed that many readers had their attention fixed by the phrase. They read on to find out what was said and turned their thoughts to the overdue account. The argument which followed secured payment.

*Make Your Customer Realise that it is to His
Advantage to Pay Up*

With attention won, your next step is more difficult. You have to secure interest and make your man get well into your letter before he realises he is being dunned. The schemes which you use to compel attention can be used to hold interest, or you can compare the advantage of paying with the disadvantage of not paying. Play up your customer's interests at this point and submerge yours.

A shoe dealer achieved interest by tempting his reader's curiosity. He led the second paragraph with the statement :

"This frank explanation is due to you."

The line had a seductive ring that made the debtor read on.

A wholesaler's accountant gets the same effect by hurling questions which every man would like to have answered.

"What makes every merchant big? What makes every big merchant rich?" is the way he begins the interest

HOW TO WRITE A COLLECTION LETTER 25

paragraph. His answer, "*credit*," forms an argument for payment.

How to Make Your Argument Reach the Climax of "You" Interest

By getting the reader's attention, you turned his thoughts from other matters. When you roused his interest, you led his thoughts to mutual affairs. Now spring the trap. With swift flowing sentences, brisk, brief, to the point, make your argument. Always present your case from your reader's point of view, avoiding as far as possible the question of benefits accruing to you and emphasising advantages to the debtor. Select the motive—profit, pride, safety—most suitable for the prospect. You have, you remember, five classes of appeals to choose from—*caution, utility, pride, money and self-indulgence*. The classification you have made of your debtor indicates the proper motive. Your knowledge of him, gained through letters, business dealings, salesmen, friends and other sources, indicates the way it may be applied.

Caution, for instance, is always a timely appeal. Here is one of the hundreds of ways in which it has successfully been applied :

"We wish to call your attention to your contract, which is drawn according to law. And you will understand, we can not only re-take our furniture, but may retain as liquidated damages all payments you have made."

In four lines, the reader is cautioned as many times. Among the distinct thoughts advanced are fear of the law, loss of goods, and legal costs. In a similar way and with as many variations, utility may be run into the argument. Or if utility or caution seems inapt, the remaining motives may be applied.

Pride is the easiest motive of all to touch, for it is

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hard to find a man who doesn't care to stand well in the esteem of his neighbours and friends. Consequently strong collection letters carry the pride appeal well emphasised. One effective paragraph of the sort which has been used with great success by an instalment trader reads as follows :

"Have you not sufficient personal pride to protect your reputation for integrity? Would you care to have your neighbours and your friends know that you have tried to

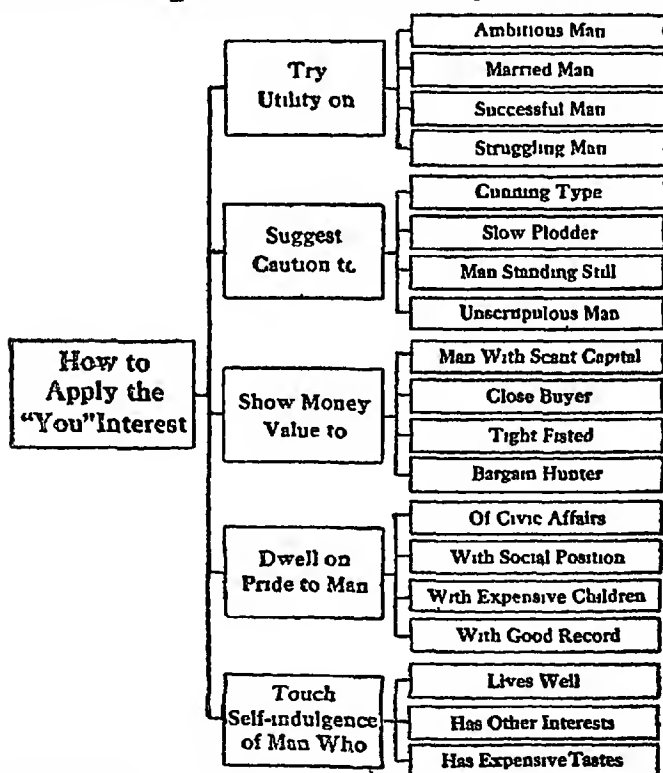


CHART IV Upon the proper application of the "you" interest depends the value of a collection talk. An analysis of the chief characteristics played upon by credit correspondents in many letters shows in the chart

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obtain part of the furnishings of your home without paying for them? And would you care to have an officer of the law recover these furnishings from your home? I will ask you to stop and consider the notoriety and embarrassment which you would be forced to undergo should you be made the defendant in a case for unpaid debt and have these details become public."

Here is a picture vivid enough to budge any man over the border of indecision. Pierce a man's pride and you have a compelling argument. Make him act because of love for family, through business or social standing, or through the reputation for fairness and square dealing which he would maintain. In a similar way, picture the ease and freedom from worry of the man who pays his bills and place it before one who is inclined to be self-indulgent. But whatever appeal you make, be sure that you have a knock-out punch at the end of the letter.

Getting the Cheque Signed at Long Range—The Letter that Brings Action

Too often a letter which gets attention, holds interest and contains strong argument loses its force in the final lines, because it lacks a "do-it-now" element. The writer "*hopes to receive an early reply,*" or "*trusts that the matter will receive prompt attention.*" The reader, already moved to payment, turns from his purpose at any such confession of weakness.

Make it easy for the debtor to follow the chain of thought you have started. Enclose an envelope, it may be stamped, and ask him, if the bill is small, to send cash at your risk. The line, "*Don't bother with postal or money order; simply send us cash,*" often is sufficient. Finally, instead of "hoping" or "trusting," end with a sentence which expresses your confidence in getting prompt payment. One man says, "*Thank you for*

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prompt payment." Another closes with "*Will you kindly see that this matter gets the attention it deserves?*" There are dozens of other ways of closing your letter with a crash, but in every case select the method which best fits the reader and prompts him to immediate, unreflective action.

"Difficult as it may be at times, we never express irritation in any of our collection letters," says a retailer. "Of course, individual cases arise when this idea will not work out as successfully as it does with others, but we have found that in the long run it pays. We usually wait about two weeks after our statements have been sent out and then we begin sending out the series. The first letter reads as follows :

Please note that you have allowed this account to go past the time of payment, which we are sure you didn't intend it to do.

An item like this, outside the regular course of your own business, is quite apt to be overlooked; and for that reason we're reminding you of it now.

It's one of the many little matters that need "do it now" pinned to them, or we forget. We suggest that you "do it now" before something crowds it aside, we'll both feel better about it.

Next time you visit us have a look at some of the new garments — we have added new lines in all departments.

"If the remittance fails to arrive, we send this letter :

About your account, overdue, we wrote you a friendly reminder a few days ago, maybe you're more forgetful about such matters than we are, we're all too careless.

If the amount due, or the article you bought, is faulty, let us know at once; we don't want to delay collection by any error of ours.

But if everything is satisfactory, send us a cheque for £3. It pays to be up-to-date with such obligations.

"A few days pass and we begin to believe Mr. Debtor is unfair. He ought to answer our letters, at least. So we go to the point in the next letter :

You are not being fair to yourself or us about this account long overdue; and, as it has come up for my personal decision, I want to urge you once more to give it attention. It's always unpleasant for us, and for you, to go to extremes in collections.

We still feel sure that you have simply neglected it; or that

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there has been some reason why you delayed payment Deal frankly with us, and you'll find us pretty decent people to deal with.

We dislike to find that you make no response to our notices; we must hear from you at once. Your cheque should be for £3

"When it comes to our attention again that the debtor still owes us money, we don't give up or get angry. Instead, we get after him with this letter :

You are making a mistake, we believe, in regard to your account here As it stands now, it's bad for you and for us.

Maybe there's some good reason why you delay payment—we think you ought to tell us if that's the case; we want to be decent about such questions

You haven't replied to our letters about it; we don't know why you don't pay it, all we know is that you haven't paid it

Don't let it hang about this way; let us have your cheque for £3

We ought to have it right away.

"If no settlement or explanation is received, the fifth and last letter is sent. It reads :

We have written four letters in an unsuccessful attempt to get you to settle your account.

If a satisfactory settlement is not made by you in ten days the matter will be given to our solicitors for legal action. This will add costs to the amount (£3) you already owe.

"The last one is formal, but still courteous, and usually brings the lagging debtor to time."

Tact is necessary when dealing with debtors who, nine times out of ten, pay their accounts promptly but who on the tenth occasion fail to meet their obligations. Should this class of debtor be sent the usual dunning letter or should his past record entitle him to something softer? One business house finds that this letter has collected 60 per cent. of the accounts concerned.

Those who arise regularly usually awaken on the dot. They don't need an alarm clock except merely as a secondary reserve in those rare instances in which they fail to awake as usual.

It is just thus with those who regularly pay promptly. They don't need a reminder except in those very rare instances when through an oversight or error they fail to pay as usual.

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This letter, then, comes as a secondary reserve to remind you that 25s. payment is overdue and ought to be paid now.

TO-DAY—before you forget

Here is another letter framed to avoid giving offence to those whose accounts are slightly overdue or who have previously paid up promptly.

In the majority of cases our customers pay us promptly, and when they do not, it is usually a matter of having overlooked or forgotten it.

We are sure this friendly little reminder will be accepted in the same good spirit in which we are sending it and that a remittance will be forwarded promptly.

Thank you.

CHAPTER III

PERSUADING DEALERS TO PAY UP

“**A**NYTHING from Brown this morning?” inquired the head of a Midland shoe factory.

“Nothing yet,” said the secretary. Week after week he heard the same question—had to give the same answer. He tried various novel collection ideas. Brown, the shrewd shoe dealer in a little Welsh town, remained unmoved, counting on the fact that he was rated “slow, but good.”

Finally, the secretary hit upon a new idea for the old sight draft procedure. First he wrote Brown a “selling” letter, pointing out the trade advantages in price, in quick service, and in good quality which his factory represented to Brown—and might represent to Brown’s competitor across the street. He pointed out the prestige and accumulated value which had accrued to Brown through his own local advertising, linked with the manufacturer’s

“*One big item in any dealer’s working capital,*” ran the letter, “*is this advertising and this prestige. It is such a valuable asset that its loss often cripples the dealer who is divorced from his standard lines.*”

The secretary’s next note was curt. It built upon the effect of the previous letter. It notified Brown that a draft had been drawn on him and warned him that his credit would be cut off if he disregarded it. The former letter had made Brown appreciate credit as never before; with the final ultimatum before him, he reflected that shattered credit standing with his best source of supply meant more than 6 per cent. to him. He saw his lines and his advertising in the act of pulling customers in at his competitors’ doors. He realised that he stood

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between this alternative and that of cash buying. When he grasped the importance of this warning, he honoured the draft.

Brown's correspondent knew that refusal to pay a sight draft no longer suggests insolvency and that such a refusal may be made with impunity. He knew that to send a sight draft in the routine way usually delayed payment, irritated the customer and led to open war. It was an empty threat—how could he put force behind it?

Emphasise the Importance of Credit Standing and the Result of its Withdrawal

Obviously, he could cut off Brown's credit. Would that mean anything to the slow-pay dealer? Would it threaten his business and make him see prompt payment as profitable? Instantly a successful collection plan shaped itself: *to sell the dealer his need of credit standing with the firm*; to warn him that the refusal of the sight draft might mean loss of his credit privilege; to send the draft on the day.

From the newspaper boy to the country shopkeeper, men who buy to sell again can be made to realise that their credit standing with their best supply sources has much to do with their success. When they buy promiscuously, the collector has only a slight hold on them—credit standing, therefore, must be awarded such purchasers only after rigid scrutiny. Where service, prices, delivery facilities and long-continued advertising tie the dealer to the manufacturer and wholesaler, however, damaged credit standing means that the whole business limps.

This is the advantage which the wholesale collector can play in urging prompt payment—the disadvantage he can threaten—the club he can swing: *lost credit*

standing with your best source of supply. No matter what routine form of collection is used—whether the statement, the personal note, the sight draft, the scheme, the letter holding up orders, or the personal interview—put into it some new twist or angle that points a warning finger to loss of credit standing. You can find your leverage in the fact that the debtor's buying facilities and advertising achievements may overnight be turned into the cash drawer of some competitor.

WATCH YOUR DEALER ACCOUNTS
BY MEANS OF

OUTSIDE HELP:		INFORMATION THROUGH YOUR CONCERN:	
Exchange credit advice with other wholesalers.		Have salesmen report on Debt- ors.	
Use Credit Agencies.		Require branch statements.	
Keep Debtor in touch by corre- spondence		Send special men on important cases	

CHART V Mail collection for the producer and wholesaler hinges on knowledge of the debtor. Know his ability, responsibility, personal characteristics, social position, business standing and dependence on you for goods. This chart shows your avenues of information

A blow at credit standing touches all the five elemental human promptings: pride, caution, utility, money and self-indulgence. It strikes pride, because no one wants to be told that trust can no longer be reposed in him; caution, because injured credit standing spells injured business and makes every hard money situation dangerous; utility, because of the conveniences, the advantages, the necessities of profitable business which hinge on credit buying; self-indulgence, because a business man who has credit is not forced to keep the tight rein required every day where cash buying is done; and money, because low credit standing clips discounts, overturns buying routine and inflicts costly transportation methods.

The accountant in the office of the factory or whole-

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saler has all this in mind when he writes to his debtor. He remembers that behind every claim for payment stands his power to withdraw credit. If his sales department has given service—if it has made buyers realise that the firm offers them unusual advantages, the collector can put this new note into all his efforts and force attention, interest, compliance.

“This is one of the Most Effective Collection Plans I Ever Tried Out”

A manufacturer has what his secretary terms, “The simplest and yet the most effective collection plan I ever tried out.”

It fairly gladdens with service and courtesy and, in its final analysis, is so dignified and business-like that it forces itself out of the category of dunning letters.

At the bottom of all statements sent out is printed in red a notice that the firm considers a credit account an accommodation to the customer and that it is conferring a favour when it allows a customer to post cheques rather than be annoyed by collectors.

At the end of ten or fifteen days, if no remittance is received, the following courteous reminder which emphasises these features, is attached to the statement :

Our customers appreciate the fact that we do all our collecting by post, and it has been proved that posting cheques is much more satisfactory than having a collector call.

Will you kindly send us remittance to cover your statement by return post and greatly oblige us.

Amount due: 18s.

The wholesaler's accountant deals with business men. Letters to them may be plain requests for business justice. You can put a curtness into your reminders that would lose trade if used by a retailer in dunning his customers. Even the smallest business man is familiar with the forms of collection. He recognises

business routine, so long as it is coupled with power, system and fairness; he is equally quick to recognise the "bluff."

Talk to your debtor on paper just as if you were interviewing him in his own office—fairly, frankly, directly. One accountant lets this idea dominate his whole collection plan. Instead of a form letter series or exclusive use of personal letters, he sends one standard note which is little more than a polite statement of the

WHEN COLLECTING BY
LETTER FROM DEALERS

REMINDEE DEBTOR THAT
LOSS OF HIS CREDIT WITH
YOU MEANS:

His loss of your advertising and
trade prestige

His loss of your service and
market advantages.

His competitor will carry your
lines.

His competitor will benefit
from all advertising of your
lines

THREATEN LOSS OF
CREDIT BY:

Proof that you know Debtor's
situation.

Hints of Credit withdrawal.

Mention of outside enquiries as
to his standing

Warning of credit withdrawal.
Insistence on reduced order or
a payment.

Holding orders for remittance
on account.

CHART VI Remind the debtor of the many advantages he loses by failing in his
credit standing and warn him of the results of such credit loss

account and follows with a series of one-paragraph letters increasing in urgency. His third note, designed to develop the debtor's attitude, reads:

Our draft on you of October 8th has been returned to us. We have notified you twice about this account and have received no answer. Please be prudent about this, let us know your position. Kindly name us the date on which we may expect the amount due, £13 4s

Another executive carries the business tone still further

"Bills and statements," said he, "speak the everyday language of the retailer. Save the letter for the special cases where you need diplomacy or sledge-hammer force. Until notice of a summons, I send merely four

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consecutive statements of the account, writing upon each a long-hand line or two of personal comment, such as :

1. "Not a dun—merely a reminder."
2. "Help us in our invoicing by getting this in as soon as possible."
3. "Shall we be obliged to give you unpleasant notoriety by issuing a summons?"

Because your customers are in business themselves and, therefore, have collection difficulties of their own, they will feel the fairness of your claims upon them, if your letters talk man-to-man. Play upon this bond of sympathy. One man combined this tone with a hint of lost credit standing like this :

You have a business of your own. Isn't it true that some debtors are so persistently slow as to make you wish sometimes that you had never taken their orders? You know how good it feels when a man pays up promptly—how it makes you feel like extending him favours. Let us feel that way about you

Whether muffled by tactful wording or not, the force of the personal note, the statement and the "fair-play" letter, lies in the power to cut off the debtor's credit with a supplier who represents profit to him. Sometimes it is necessary to give him a taste of lost credit standing in order to make him realise what is at stake.

How to Exercise Tact in Handling Orders from Your Poor Credit Risks

Tact in delaying delivery of new orders until payment is made on account often retains the customer's trade.

"*Insufficient credit reports.*" This tactful phrase pulled a manufacturer out of a predicament. Here was an order for a big season's supplies lying beside a statement of an overdue account for £82. Manifestly it would be impossible to fill that order with the buyer already beyond his credit limit, although his record was clean.

The sales department was putting on pressure. An abrupt refusal of the order would drive off his trade. How, without offending the customer, could a payment be brought in such as would warrant delivery? This letter by express post answered the question :

Insufficient credit reports compel us to hold your order of the 18th. We regret that we have not been able to obtain just the information necessary, for our inability to do this causes us both annoyance. In order to make your delay in getting the goods as brief as possible, I am writing by express post to say that I am authorised to have your order made up and to release it immediately on receipt of your cheque for £32 on account.

This problem of a big order from a poor risk who has gone his limit, often causes friction between the credit and sales departments. The sales department believes that its efforts are being uselessly discounted, while the credit man thinks that ultimate profit has been overlooked in the effort to establish a sales record and feels justified in the attitude he has taken. Handling the case requires quick wits, keen appraisement of the circumstances and diplomatic phrasing. The condition of the account, together with quickly available credit information, dictates the course of action in any individual case. Often advice to the debtor to reduce his order for his own safety points the way out. Here is a letter that held down an account, made the merchant feel that his supplier had saved him from over-buying and rang the bell of warning which pulled payment back to the basis of promptness :

We have your order for one dozen Bestever Cream Separators. This is double the usual size of an order from a retailer in your locality. We are holding delivery while we write to suggest that unless you have customers waiting for this stock, you let us reduce the first delivery from twelve to six.

When you consider that you have a considerable account with us now, £109, we feel that for your own interest as well as ours you will not want to stretch your credit by an unusually large order. If you have places for twelve separators, however, and can arrange to make us part payments of £12 on the 12th, 22nd and 1st, we believe that you can buy safely, and we will be glad to deliver.

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This letter was effective, not so much because it suggested a reduction of the order, but because it cautioned the customer that he was going beyond safe limits and touched his pride in his good standing. It flashed the possibility of lost credit as an impersonal necessity which lavish buying would soon bring. It made him feel that he must pay his account in order to keep his business running well and to avert the sure fate of a C.O.D. rating.

The "you" interest that brings in wholesale accounts is this: *prompt payment means continued credit and buying favours for the debtor from his most profitable sources; delinquency means the loss of these advantages.* This is the power that must be felt in your strongest "suit" letter and your most intimate personal request, whether hinted in diplomatic phrases or shouted in underlined "caps"

"I have found that it doesn't pay to allow debtors too much leeway in making promises and not keeping to them," says a trader who does a £50,000 a year business. "In the majority of cases promises are only a 'stall' on the part of the debtor who either doesn't want to pay or is playing for time. If you allow one promise to go by unnoticed, you place yourself on the defensive and the first thing you know you have more promises but no money.

"I find it very successful in checking this promise nuisance, to make a careful note of all promises and the exact date they are to be fulfilled. If the debtors don't pay on that date, I don't give them a chance to congratulate themselves that I forgot, but I send them a letter that gives them to understand that I expect promises to be kept.

"Here is the letter :

At your request we extended the time of payment on the above

account, and should have received your remittance yesterday. Perhaps it will come to us in this afternoon's post, but we have not yet received it in accordance with your promise, and hence this reminder

We feel that you surely have remitted as you said you would, and hope that your letter has merely been delayed in the post. But if you have forgotten your pledge, please post it NOW—while it's fresh in your mind—you surely will appreciate the consideration we have shown you.

I can imagine just how you must feel about this, and thoroughly appreciate your position, for I too have made promises in good faith and afterwards forgotten them. So I feel pretty certain that this reminder will bring your remittance, if you have not already sent it to us, and thus close an incident that might lead to a more serious situation.

"Where no extension of time has been granted, but where a debtor has violated a straight promise to pay on a certain date, I send this letter :

We are sadly disappointed that you have not kept your recent promise to send us a remittance to apply on your account. We believed you WERE SINCERE and that you would FAITHFULLY keep your WORD. It may be that unforeseen circumstances have prevented you from doing so, and if this is correct, don't delay giving it your attention now, so that we can credit your account, and close an incident regrettable to us both.

Please attach a cheque to this letter and return it by the next post.

"I have found these two letters most effective in getting debtors to understand that promises will not be accepted simply as excuses for delaying payment."

CHAPTER IV

COLLECTING RETAIL ACCOUNTS BY LETTER

WHEN Hilton failed, he learned his collection lesson. He reviewed the causes of his insolvency. At a critical point in his affairs he had found needed capital tied up in bad accounts. *Unwise credits?* They could not fairly be called that. Most of his debtors were good for amounts far greater than their debts; *loose collection methods* were to blame.

Hilton remembered customers who had transferred their trade without apparent reason; others because they were offended at his plain letters; and some who had left the district owing him money because his letters were not plain enough. He remembered a doctor who was furious at monthly statements and a society woman who bought beyond her means because statements were not sent promptly enough.

Hilton knew that he had been wandering in the dark. Finally one of his wholesale creditors showed him that his mistake had been not *to classify his customers*.

Hilton had sent the same form letter to John Jones, labourer, as to John Smith, doctor—and he should not have sent a form letter to either of them. John Jones needed a week-end statement. Quick work would have brought a cheque from his extravagant woman customer. A “mere reminder” when the account was two months old would have saved Doctor Smith’s patronage. When Hilton got on his feet again he classified his customers, in order that he might keep correct touch with each group and follow every debtor in the way which collection practice has found most effective.

Debtors to the retailer, the public service company and the professional man need special groupings. Most

of the retail traders' customers are women, and very few of them have any technical knowledge of business. The retailer has to handle accounts of non-property owners guaranteed by their acquaintances, charges by irresponsible buyers, "runaways," people who are wealthy, but slow to pay and quick to resent a dun, salaried customers, and wage earners who are dependent on local day labour. Nor can retail accounts be reduced entirely to automatic routine, for they are the most intimately personal of all business debts. A local strike or lockout may upset an entire collection campaign—personal work on many of the names is essential week by week.

Making Retail Collection Individual, Classifying the Debtor, then Reaching Him on Time

Promptness is the great essential in dealings with retail debtors. All classes of retail delinquents are tempted to transfer their trade when their accounts get formidable. Your debtors may do this more easily than the wholesaler's, who realise how much their business depends on their credit standing with one or a few well-located suppliers; or instalment buyers, who are usually bound by contracts and mortgages.

A retailer who watches his credits unusually closely lost the cash trade of customers who allowed their accounts to get too far behind. What hurt most was the fact that, with very few exceptions, these debtors never came near his shop to make an explanation, even those who were quite able to pay.

One day he talked it over with his partner. They came to the conclusion that it was nothing more nor less than the voice of conscience that kept this class of debtors out of the shop.

With this conclusion in mind, the retailer wrote the

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following letter and sent it to all customers whose accounts were of long standing :

Why do good collections win business?

Because a man who keeps his account with a firm paid up feels a certain satisfaction in dealing with that concern. He feels quite rightly that he is a privileged person, and always welcome. If he lets the account lag, his conscience may haunt him and he is greatly tempted to go elsewhere for his supplies until the account is paid.

It's not only because we need the money that we ask you to send us a cheque to-day. It is because we want all your business—and we want to quiet the little voice of conscience which might suggest that you place some of it elsewhere

You doubtless want to feel the privileged customer you really are; and to continue to take advantage of the low prices, the prompt delivery and the good value you have been getting from us

That's why you are going to take the enclosed brown envelope and post it to us with your cheque enclosed to-day.

The letter had the desired effect, and many old accounts were not only settled up, but business relations resumed.

Educate your customers, therefore, to pay promptly; show them an advantage to themselves—sell them the peace of mind, the good standing in their community or

DEBTOR "GOOD AS CASH"

Regular statements and informal reminders.

SMALL ACCOUNTS:

Reminder schemes and handy-payment plans.

WORKERS—SALARIED EMPLOYEES.

Monthly statements.
Prompt letter follow-up.
Hint of legal action.

WAGE EARNERS:

Week-end statements.
Personal or form letters.
Hint of legal action.

CHART VII Your collection letter is like a good prescription. This chart will help you diagnose every case, so that you can make your letter contain the ingredients which will effect a settlement

the credit extensions they will enjoy when they pay their bills as they come due. Here is a letter whose success hinged on hinting that postponed payment would only

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bring more insistent appeals and showing a disadvantage in allowing the account to remain outstanding any longer, it gets action

Yes; another bill.—You are tired of getting them. It costs us money to send them —Let's save each other a lot of trouble. Post that cheque for 30s.

You will be saved more bother; we will be saved time and postage

Thank you.

A big retailer finds that among his best credit account customers there are always some who never pay their monthly bills when due. At the same time these are often the ones who believe that they are most scrupulous in paying. Several of these customers took offence and closed their accounts merely because they had received courteous letters reminding them that their accounts were overdue.

Of course the retailer wanted to keep these accounts, as they were large and profitable, and yet good business demanded that all accounts be paid promptly

In order to collect effectively and yet in so impersonal a way that the touchy debtor would realise that every similar case was getting the same treatment, the retailer developed a series of "stickers" which are attached to all statements after the first. Here they are:

UNDOUBTEDLY THIS HAS BEEN OVERLOOKED.
AN EARLY REPLY WILL BE APPRECIATED.

WON'T YOU CO-OPERATE WITH US BY REMITTING
PROMPTLY? AS ACCOUNTS OF THIS SIZE ARE BOTH
TROUBLESOME AND EXPENSIVE, UNLESS SETTLED
PROMPTLY, WE ARE SURE YOU WILL BE GLAD TO
ACCOMMODATE US.

THIS ACCOUNT IS SIXTY DAYS OVERDUE. WE HAVE ALREADY SENT YOU TWO REMINDERS, BUT WE KNOW HOW EASY IT IS FOR A BUSY MAN TO OVERLOOK A SMALL ITEM. SEND US YOUR REMITTANCE TO-DAY BEFORE YOU OVERLOOK THIS NOTICE ALSO. IF YOU WILL DO THIS WE SHALL GREATLY APPRECIATE IT.

To keep your debtors *paying* promptly, *collect* promptly. "Promptly" for a wage earner or a business worker on a low salary means a statement within one or two weeks of the due date of the bill. After two such statements have been sent, some successful traders often complement the third statement with a short letter, which points out that the bill is overdue. The working man who has lost his job or who has had sickness in his family, must be dealt with as carefully as a "good as cash" patron. Here is a letter that gained a permanent customer and pulled regular payments on an account that seemed hopeless :

We were very sorry to hear of your recent misfortune. We are not going to push the collection of your account for £6, for we realise what an accident such as yours means.

We are granting you an extension of thirty days on your present account. By that time we would appreciate a part payment, and can arrange some easy settlement of the balance. Call when you can and let us plan this with mutual fairness.

Wishing you an early recovery, we are,

After the debtor class whose pay comes to them every month or oftener, is a second great division of your debtors ; those who own property or are well-employed, good for reasonable amounts and need only monthly statements and mild letters to rouse them to payment. Selling talk often strengthens the letter to such a debtor ; to use one paragraph for advertising attractive lines softens the point for unbusinesslike readers, and makes sales.

A large group is made up of wealthy customers who must sometimes be disregarded for months before collection is attempted.

"It's been my experience," says the credit manager for a department store, "that many people who have plenty of money are often as slow, if not slower, than those who have but little. We find this to be true with many of our customers.

*How to Induce Wealthy Customers to Pay
Without Losing Their Trade*

"At times it becomes a serious problem to know just what to do. To dun them too hard often not only irritates them, but causes them to trade elsewhere. The plan which has worked the most successfully is what we call our 'C.O.D.' plan, and in almost every instance it accomplishes the end we are after.

"For instance, a customer whose credit is perfectly good, but who becomes forgetful at times, allows her account to drag thirty days behind, and then, without heeding our letters, comes in and orders more goods.

"Our plan commences to operate when the purchase slip comes up for approval to me. I note the condition of the account and instruct that the goods be sent C.O.D. Next morning the carman rings the customer's door bell and asks, say, £4 for the package he brings. Instantly she becomes indignant. There must be a mistake, she insists. Her purchases are always charged. The carman, however, has no alternative—he must bring back the money or the goods.

"He suggests, however (it is not the first time he has played the part), that she call up the store by telephone and ask the manager for an explanation. This is exactly what I count on and in answer to her call I pretend to take a hurried look at the books and then explain. Her

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account, I note, is considerably overdue. Probably some subordinate in the department, unappreciative of the extent of her patronage, has held up the credit ticket. Of course, it is unfortunate, the store apologises and the carman is called to the customer's telephone and told to

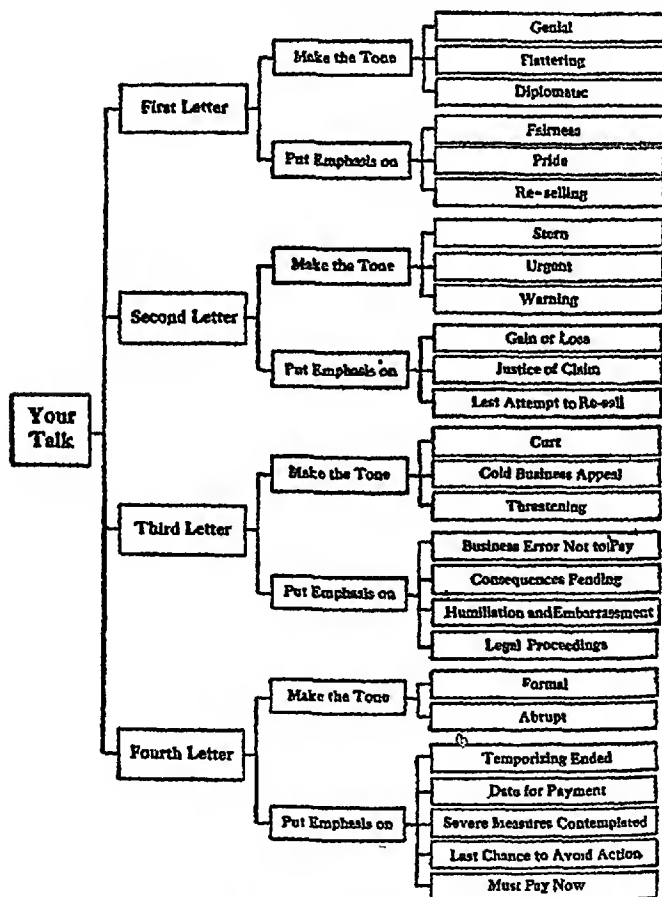


CHART VIII Four letters will collect the ordinary commercial account, but the series must be progressive. Tone and emphasis must grade naturally from mildness to severity. The chart outlines the form of letters in a test campaign.

leave the package. It's, of course, a ruse, but a justified one, I think you'll agree

"The customer receives her goods in triumph, but she has also received a mental jolt regarding her delinquency and I have an opportunity to speak of it personally, a thing I could not very well do without such an excuse. A day or two later a cheque is pretty sure to find its way to my desk."

"So successful was this plan," says this credit manager, "that it has come to be one of the most valuable assets of our collection department."

A Little Ruse which Succeeded in Getting the Debtor in for a talk

When a customer's delinquency reaches a certain point, a personal talk in the credit man's office will often accomplish more than any number of letters. For this reason a ruse—certainly justifiable under the circumstances—is sometimes employed solely for the purpose of getting the buyer in.

A woman whose account is considerably overdue, and who has failed to respond to two or three letters, comes in and buys a small parcel of goods, for example. The ticket goes up to the credit department and comes back with the report that the account has been closed.

Immediately she becomes indignant. This is the cue for the floor walker's entrance. He suggests at once that she go personally and see the credit man—no doubt there is some mistake—and straighten it out.

She goes—and the credit man gets the opportunity for the sake of which the ruse has been used. It is his turn to protest now—and to apologise. The account seems to have been closed two weeks before—evidently at her request. It was somewhat overdue—he had supposed of course that possibly she wanted to refrain

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from further buying until she had caught up, or that she had some other reason. But it was a mistake. It would be reopened at once and to-day's purchase passed.

Before the customer leaves the office, however, she has found herself making a definite promise to pay up the back account at some specific date—which, after all, was the aim of the credit man.

A large retailer collected from a delinquent professional man with this letter :

Your account with us now amounts to £44. We appreciate your extended patronage of our business. At this time we are trying to clean up all of our accounts preparatory to a book-keeping change, and we would thank you very much to look up this account. We do not wish you to take this letter as a dun, but only as a reminder, and we know that you will welcome it as much as we will your cheque for £44.

When the big divisions have been made, and letters have been built that are aimed at representative debtors, special cases come up. The peculiarities of each individual case will suggest the way to apply the principles of collection—for instance, don't bother the man who has just changed positions, and is trying to catch up.

Is there a pampered son of some wealthy family running an account with you as if the family purse strings had been untied for his special benefit? Send him a brief note saying that if he does not pay by a certain date, the collection routine will forward the account to his father. If the money doesn't come in, a letter like this will usually bring it :

Your son Charles has a considerable account with us. We have had several promises of payment from him, but we have not yet received a cheque. This carelessness on his part is only natural—he has not realised the position in which he places himself. As the amount of his bill is now £22 I have thought it wise to call your attention to his oversight. Will you not speak to him or advise us as to what we should do in the matter?

Have you an extravagant woman customer who is arousing your anxiety by her continued heavy buying on credit? The tone of this letter has been found effective in hastening payment and holding the trade :

No doubt you had overlooked your little account with us, for we note that you made a large purchase yesterday. In fact you have gone quite beyond our usual credit limit. We are glad to have your trade and appreciate serving such a discriminating buyer. We feel, however, that you would now prefer to settle this account as soon as possible, so we are writing this, not as a request for payment, but merely as a reminder to you

Our new Easter models have arrived and are attracting thousands of ladies to our millinery department. You will find something there, we are sure, which will delight your taste.

The same common-sense method applies to other classes. Trace the "runaway" by means of retailers' associations in other towns, or by co-operation with other retailers. Bring him to time with direct threats of the law. Hint to the salaried slow payer that you may be forced to take out a summons.

Classify, subdivide your three large groups; then study the paying impulses of every class.

CHAPTER V

HOW TO LINE UP INSTALMENT ACCOUNTS

DISCOURAGED buyers were crippling the profits of a large furniture instalment house. Goods were ordered with the minimum payment down, kept until collection efforts were exhausted, and relinquished with a "hard-up" plea—after three months' usage.

The manager traced the whole trouble to collection letters that *collected too well*. Though well-written and carefully mailed, they defeated their purpose. They laid stress on prompt payment; demanded, coaxed, threatened. They set debtors to thinking only of their obligations; and encouraged return of goods.

Re-selling letters lowered return losses and helped collections. Strong sales paragraphs made the delinquent want to keep his purchase. Purchases by others on similar wages stirred the debtor's pride. Special offers were ruled out, because experience showed that such a reputation made for delayed instalments. Special terms in the way of smaller instalments or more convenient intervals were proposed in the second or third letter of a form series, but with no reduction in total price.

A collection letter series planned on these lines turned the tide.

The hirer who leaves with unpaid property overnight is a case not so much for the instalment collector as for legal aid. The instalment "slow payer" is little different from the "slow payer" in retail trade. The discouraged hirer, however, requires your best thought; diplomacy, keen selling ability, judgment in making terms—all of these are necessary. He is within the law; he may or may not be dishonest. Don't coax or threaten, but *sell him*.

Here is a form letter that was successful :

Surely you do not mean to let your kitchen cabinet be forfeited after securing it at such a bargain and making two payments on it. Think what it means to you every day to be relieved of all the little baking day troubles which the Excelsior eliminates.

How annoying to go back to the old-fashioned flour sifters that allow lumps to form, and either clog or scatter flour all over your clean kitchen floor. What would you do without the grooved cutting board that is an exclusive feature of the Excelsior?

Don't you like to keep your teas, coffees and spices in spick-and-span labelled canisters handy to your work table?

These features alone are worth the price of the cabinet, when you remember how long it is going to last.

The amount now due (the last two payments) is only £2 10s. Send us this to-day, while you are thinking about it. Long after you have forgotten the monthly payments of 25s, you will think of the work your Excelsior saves you day after day.

A second letter offered reduced payments and extension of time, with renewed selling arguments which made the transaction seem a personal matter between debtor and collector. This very generous and sympathetic treatment generally puts the goods in the stay sold class.

"I have found that no single plan will work with all classes of debtors," says one credit man. "Of course we treat them all alike at the start, but it doesn't take very long before a large number of them classify themselves.

"After they have placed themselves in the 'slow pay' or 'difficult' class, we often find it successful to write them a letter and mince no words. Sometimes we appeal to their pride, sometimes to their sense of justice; and then again we try to make them realise that they are only injuring themselves by their dilatory tactics.

"One of the best examples of an appeal to their sense of justice is this letter :

"Deliberately unfriendly"—that's what we think of the way you are treating us.

Why don't you pay? You know we can't make profit on our transaction with you if we have to keep on writing letters.

You know, too, that we have given you your money's worth. That's our principle—small sales, big values, satisfied customers, prompt payments.

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Some others don't follow this system. They are the ones who deserve trouble. We don't. Come now, are we not right? Encourage our policy by paying up.

"If this letter brings no return, we follow it up with one like this :

You are doing yourself a great injury.

You made a purchase from us some months ago, on the instalment plan, and you have not fulfilled your obligation.

This hurts you far more than it hurts us.

This letter is written in the friendliest spirit. We are obliged to judge a customer by an experience with him and then act accordingly.

But we don't want to make a mistake.

Hence this letter. If you care about your credit you will doubtless reply.

If not, the loss is more yours than ours, for your name will be added to that list of unreliable persons whose promises are mere "scraps of paper."

"These two letters have been very successful—in fact, on one mailing they broke all previous records in the amount of money collected. We have different letters for different occasions, but they are all along the same general lines and I have always found that it pays to be courteous, but straightforward."

An instalment business found that a debtor had moved away, taking with him the property on which several instalments were still unpaid. After the usual routine of quiet investigation following "tips" from other creditors, a registered letter receipt located the debtor. As the instalment man well knew, however, this was only the beginning of his problem. He saw no profit in the law-suit which seemed inevitable; he knew that only quick work could shock settlement out of the runaway.

Searching for a scheme emphatic enough to get instant attention, impressive enough to force respect and energetic enough to induce action, he found a printed paragraph of law decidedly effective.

The man who lags—who instalment by instalment loses ground—must be trained to promptness. Some-

times he over-buys—"his eyes are bigger than his pocket-book." An early instalment finds him without money. A second and third instalment pile up and he grows careless or hopeless. Sometimes he is avoiding payment as the more convenient plan—the incubator is to pay for itself—the collector's only resort is "to wait till pay-day."

"We do not begin our collection series until after a second monthly statement, marked 'Second Notice,' has failed to bring a reply," says an instalment dealer. "If two weeks pass without a response, a first letter is sent,

**RE-SELL THE DISCOUR-
AGED BY:**

New proofs of value in purchase
Showing him what others have
done
More convenient terms.

**LINE UP THE SLOW-PAYER
BY:**

Prompt follow-up.
Personal interview to Adjust
payments.
Collection agency pressure.
Warning of recovery of goods.

TRACE THE RUNAWAY BY.

Personal inquiries.
Co-operation with other firms.
Credit agencies
Curiosity schemes that draw
him out

CHART IX The "discouraged buyer," "slow payer" and "runaway" make the instalment collector lie awake at night. The chart shows some of the ways of handling these classes of debtors

calling the debtor's attention to the fact that the account has been overlooked and requesting immediate payment. We point out in this letter, courteously, the necessity for keeping these instalments paid up promptly. This is followed by a paragraph like this :

You may have overlooked the fact that in signing this contract you agree to send us a remittance regularly each month until your account is paid in full. This, however, was the agreement and we have planned on receiving payment in this manner.

We feel certain that you will find it most satisfactory to adhere to this plan, for if you allow two or more instalments to accrue, and are compelled to send us the whole amount in one re-

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mittance, it may be a hardship. We will appreciate it if you will pay the overdue instalment at once and see that future instalments reach us promptly each month as they fall due.

"If this courteous letter does not, within ten days, bring a payment, or at least a reply, a second letter, more urgent in tone, is sent, cautioning the debtor against the inconvenience accumulated instalments may cause and bringing the matter to a head by insisting on payment by a certain date.

"In the case of a business man we give the promptness and regularity expected a specific application in this manner :

You undoubtedly have our last letter somewhere on your desk and you have been planning to send that cheque at the first opportunity. But each day the obligation has slipped your mind. Now, let us make two requests. Make a memorandum on your calendar pad of the other payments, so that they will come to your attention each month, and send us a cheque to cover the overdue payment to-day. Then we will have no occasion to trouble you with reminders in the future."

Slow pay demands treatment at the first symptom—it grows worse every day it runs. Get on the trail quickly. Use every effort to keep customers from getting more than two instalments behind. Have the over-due accounts reported to you with exact promptness. Follow them immediately and often with ammunition held in reserve for the action—form paragraphs into which you can inject close personal appeals—form letters so closely adapted to the class and circumstances of the debtor that they seem intimately personal. At the first "feeler" which the debtor puts out in his plan of delay, teach him that you are on guard. If your first follow-up fails, find some plan to get into personal touch with the delinquent and if a satisfactory adjustment does not result, follow fast with agency pressure or better yet, with suggestions of legal action.

Often the disadvantages of piled-up bills furnishes

the theme for your letter. A first letter especially effective with women customers follows :

Two Instalments due!

No, we are not nervous.

But we know how much easier it is to clear up two instalments than to have three or four discouraging accounts overdue. In order to help you not to fall behind another payment—to make it easy for you and give you the satisfaction of knowing that you are paid up to date, we offer you this arrangement for immediate acceptance

Post the first overdue instalment to-morrow—pay the second with the third when it comes due next Wednesday. That will clear up things—we will look for your first remittance before February 9th.

One of the most effective instalment letters a successful furniture dealer has developed is this :

If convenient to you—can you drop in Tuesday, October 18th, to talk over your account? It is now considerably in arrears; two instalments—£2, are due. You want us to know what is the matter, don't you?

The result of this letter was to arouse the curiosity of the debtor, at the same time making him somewhat uneasy. His response at once developed his attitude and suggested an adjustment or severe action.

The elements of the final collection notice are curtness, a definite action required, a definite date set and evidence that the account will be pushed. An effective "last letter" was worded thus :

Save legal costs by calling on us before February 15th in regard to your overdue account of £17.

As his advertisements say, the instalment man must grant "credit to all," so that he may expect the maximum percentage of trouble-making debtors. In a sense, your instalment buyers take their cue from you. If you are too harsh, they are ready to surrender the goods and give up trying to pay. If you are slow or unsystematic, they fall into line behind you. If you acquire the reputation of letting "runaways" get away, this will become

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a big source of loss to your house. Promptness, fairness, inevitable certainty in tracing men and enforcing payment, make instalment accounts line up and keep step.

"One of our plans has been remarkably successful in bringing in the money on small accounts that are almost hopelessly behind and too small to warrant any expense in collecting through a solicitor," one man says. "It has landed many an apparently hopeless debtor. The appeal is made on the basis of 'Now we understand each other, let's be square.' It is a man-to-man method that gets many a pound threats would never pull. Here is one of them :

"Another dunning letter! Those people needn't be nervous They'll get their money sometime."

That's probably what you said when you saw this letter. But instead of tossing this aside for "to-morrow," or scrapping it altogether, just stop and consider us for a moment

We don't like to write dunning letters any more than you like to get them, but you see you have a little of our money—£2 10 0 of it. That isn't much, and of course you intend to pay it.

But let's square this thing up now. Don't read another letter until you have wrapped your cheque in this one and posted it back in the enclosed addressed envelope. That will rescue your name from our "unfair" list, and you don't know how much we'll appreciate it.

"After all, our success in collecting instalment accounts is pretty much a matter of understanding the people to whom we sell and concentrating our endeavour on keeping them from getting behind. In other words, we cannot take it for granted that customers will pay promptly. We have to see to it that they do. And it means action at the first suspicion of delay. It is far more difficult to collect two instalments than it is one, and the farther behind a customer falls, the less profitable his purchases become. Early persistence is better than later sacrifices."

CHAPTER VI

PLANNING A LETTER CAMPAIGN

BRINGING in the money without making enemies or losing trade—the aim in every collection problem—depends upon the tactful persistence with which you keep to your debtor's trail. Results hinge on the use of a letter series adjustable to the conditions surrounding every individual debtor.

By adopting a system of clock-work precision to lure in the money due, you rid yourself of many minor details. Work out two points: (1) a close organisation of the collection department, and (2) a comprehensive letter series for delinquents.

Within the department, the system hinges upon a clean-cut policy towards outstanding accounts, and an automatic system of follow-up which will keep the debt uppermost in the delinquent's mind.

Fix upon the matter of terms for customers; then, whatever your choice may be, carry your terms prominently on sales slips, bill heads, invoices and statements. In fact, all of the credit department's notes and papers should show the sales terms, so that there can be no possibility of misunderstanding.

The second step of organisation within the house is promptness in handling accounts when due. The general rule is to submit a bill or invoice with goods, follow with a statement on the first of the month—or a stated period after date of invoice—and with a first letter in from ten to twenty days. See to it that overdue accounts appear on your desk at regular intervals. Determine the time between letters by the distance of your customer from the office, the possibilities of delay in the mail, and your classification of the prospect. If you assume a lenient

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attitude towards a customer, the reminder may be withheld longer than where prompt compliance with terms of sale is insisted upon. A fifteen-day interval, as a general rule, has been found satisfactory. But be prepared to make any variation from the automatic routine dictated by good judgment.

"After I send my statements out I wait ten days, and if returns do not come in I send this letter," says a secretary :

Your attention is respectfully directed to our invoice of July 10th, for £10, covering goods delivered to you, statement of which was sent you a few days ago.

By referring to the original invoice, you will see that, according to the terms, the account became due on August 10th.

You will, therefore, kindly let us have your cheque by return of post.

"The first paragraph gives all the information about the account, and without definitely saying so, reminds the debtor that this is the second request for payment. The second paragraph gives the date due, and shows how long the account is overdue. It assumes the attitude, and subtly conveys it to the customer, without saying so in words, that, inasmuch as we have not written to the contrary, there is no reason why payment should not be made promptly.

"The third paragraph conveys the idea that there is no doubt in our minds but that the return post will bring the cheque. The letter is courteous and firm. In it we have not begged for payment ; we show that we expect it. The entire letter is dominated by the 'will you' element ; the 'we' element is left out.

"A record of the results obtained with this letter shows that out of one hundred posted, seventy-eight brought cheques ; four, requests for short extensions ; one, a request for an adjustment of a complaint.

"Frequently I resort to drafts. By employing the aid of a bank official to present my account for collection,

I gain formality and weight I never, however, draw upon a customer without first giving him ten days' notice My second letter reads as follows :

With additional reference to the payment of our invoice of July 10th, covering goods delivered to you—£10—which became due on August 10th unless we receive your cheque within the next ten days, or hear from you with objections, we shall assume it is satisfactory to you for us to draw for the amount now overdue and we shall act accordingly. Your remittance direct, however, is much preferred, and we earnestly urge that you send cheque by return of post.

"Twenty of these letters brought thirteen cheques and two requests not to draw drafts, leaving but five who failed to respond. At the expiration of ten days, if payment is not forthcoming, or a satisfactory explanation given, a draft is then drawn for the full amount.

"On small amounts, drafts are made payable on sight ; on large ones a few days of grace are given. After the draft is deposited in the bank for collection, I keep just as close watch on the account as before, because I have learned that some banks will favour debtors by holding drafts drawn against them for several days. If payment is not made, or the draft is not returned dishonoured at the expiration of eight days from the date of presentation, I trace it through the bank, and at the same time make a more urgent demand.

"When a draft is drawn upon a debtor and returned dishonoured, and my second demand brings no response, I write what I term my 'put-it-up-to-'em' letter.

The Bank has returned to us, dishonoured and marked "no attention," our draft for £10, drawn upon you a few days ago, covering your indebtedness for goods despatched on July 10th.

This is our fourth request for a settlement of our account: three of which apparently have been ignored You certainly are not justified in treating us in this manner; if you have what you deem a reasonable excuse for withholding payment, we are entitled to know what it is, if not, a cheque should have been sent before this date

Your explanation or cheque, therefore, will be looked for by return of post.

"This is putting the matter squarely up to the debtor ; and, to my mind, there is absolutely no excuse for his not answering. Twenty-five letters like this one obtained twenty-three answers—seventeen of which contained cheques.

*Meet Your Customer's Complaint and Com-
promise if Necessary*

"If the fault is not ours, I do not so inform him in a short and sharp answer and consider the matter settled. I try to help him find where the trouble lies, and straighten out his difficulty. This costs very little, and I find it wins the lasting friendship of customers.

"If the complaint is due to a misunderstanding upon the part of the customer, I try to point it out to him in a courteous letter—usually a long one—always endeavouring to word it so that there will be no arousing antagonism.

"If, however, the customer has a real grievance, I first ask him what he feels we should do to make matters right. Most men have a sense of reasonableness in them, and if they see we are willing to listen to their side of the story they will be fair.

"If a customer's proposition is what I consider more than he should ask of us, I meet him in it as far as I consider consistent with squareness all around and try to make him see our side of the story. The average man can and will recognise a fair proposition. And experience has taught me that if we do not attempt to force him by argument into our way of thinking, but offer him a fair compromise and ask him to consider it, he will almost always see things as we wish him to. It always pays to meet the debtor half way.

"My experience shows that it is best to avoid argument wherever possible. Be courteous, helpful in sug-

gestions, listen to the other man's story, and consider what he has to say ; and always remember a good complaint letter is largely a matter of tone and attitude.

"In adjusting complaints, I handle them just as quickly as possible, so as not to have the account held up indefinitely. As soon as matters are straightened out, I ask for the money in the usual way. If my ' put-it-up-to-'em ' letter does not bring results, my next step is to send a letter to threaten proceedings.

"The debtor must be as firmly convinced as possible that if he does not pay he will be summoned. The following letter is written with these facts in mind and has been unusually successful in securing results :

If within the next ten days you do not send us your cheque for £10, in payment of our invoice of July 10th, or explain why you have held up payment, we shall feel compelled to hand the account to our solicitor.

We will regret having any trouble, but you must admit that when you fail to meet your obligations, or explain why, we are justified in taking measures to force a different attitude upon you

Will you do what you should to avoid legal action?

"Twenty-four letters like that brought seventeen cheques in full payment of accounts, and three explanations or excuses for holding up payment and requests for short extensions. Every letter was answered ; not one debtor was offended. When I state that in one year out of twenty thousand accounts ranging in amount from £2 to £1,000 I have resorted to legal action but twenty-three times, my letters speak for themselves. Legal action to collect a debt is always expensive and in most instances, unsatisfactory."

How to Make Your Letter Series Carry the Details of Your Campaign

When you have your house organisation complete, work out a letter series planned and tested not only for

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the strength and length of the letters, but especially for their flexibility. Write each letter so that a reply will allow a change to a secondary series, a form paragraph book or a specially dictated letter. Look ahead and if the answer to your first frequently hints dissatisfaction with the goods, have a stock letter to dispose of the objection, or turn to a "paragraph book" in which you have indexed strong paragraphs written to fit various situations. Instead of dictating a letter, write on the bottom of the debtor's letter the numbers of the paragraphs which fit his case. If a secondary series or a paragraph book is impractical, dictate a special letter in reply to any regular letter and after the proper interval has been allowed to elapse, resume the letter series.

In this way a number of stock letters are often drawn up, and the collector can branch off from the regular series at any point. Thus, there is a letter which thanks the customer for a remittance, another which acknowledges payment on account but urges a further settlement and others for answering stock objections and excuses.

Don't Overwork Your Form Letters—Personality Pays

It must be borne clearly in mind, however, that form letters used too extensively are apt to take the personal tone out of the collector's work and thereby reduce results. The best use of stock letters or paragraphs is "to flush the game." When the debtor has been driven from cover, personal letters fitted to his individual characteristics are in order.

"I used to think that it was all in the letters," said a wholesaler. "Now I am convinced that it is almost as important to get the letters to the debtor at short intervals as it is to get the right kind of letter. When letters

come two or three weeks apart, they give the debtor too much chance to say 'there is still plenty of time'—when they arrive five days apart the debtor begins to think that the final one is coming sooner than he figured.

"I experimented with several follow-up letters along this line, and the four letters printed below, when sent out at intervals of five days, were not only successful, but brought in more money than any I have ever used.

No. 1

I enclose a memorandum of your account which is now overdue. Probably the fact that the amount is so small has made you overlook it.

As these small accounts were incurred for the benefit of our patrons and do not permit expense in the way of collecting, I am writing to you personally. Please make out a cheque for this sum and send it to me immediately.

Don't bother about writing—I understand how these oversights occur. Just pin your cheque to this letter and post it to me in the addressed envelope enclosed.

Thank you.

No. 2

We wrote you several days ago requesting a remittance to cover your account.

Evidently the letter did not reach the proper person or department in your office, as we have received neither remittance nor reply.

As these goods were dispatched to you on January 10th, and as it was distinctly understood that our terms were cash after thirty days, we are at a loss to understand your attitude. Perhaps the goods have not arrived or are unsatisfactory in some way. If so, let us know at once and the matter will be adjusted promptly.

At any rate, you as a business man will appreciate the fact that unless we have a sufficient reason for your actions, it will be impossible for us to permit your account to remain in this condition. Please explain why you have not made a payment, as agreed, or send us a cheque by return post.

No. 3

Your account is now sixty days overdue.

Don't you see that by treating us in this unjust and unbusiness-like manner, you are seriously injuring your own credit? We are reluctant to think that you are wilfully ignoring this account, disregarding our rights, and your standing as a reputable business man, but we shall be compelled to assume this attitude if you allow this letter to remain unanswered.

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We should much prefer to find that there has been some good reason for this condition of affairs; but if you give us no explanation we shall consider your silence as practically an invitation to take any action necessary to protect our interests.

Please remit immediately on receipt of this letter so that we will not be obliged to put this account in the hands of a solicitor, an action that will inevitably result in a loss to you.

No. 4

We have written you three times asking payment of your overdue account of £3. You have not only ignored all of our letters, but you have failed to give us any reason for your delay in making payment.

Under these conditions we will not carry this account any longer, and unless you pay it within ten days we shall at once place it in our solicitor's hands for immediate action, without further notice to you."

Whether your letter campaign consists of letter forms to be copied by the typist at your direction, or a printed form letter, make your series progressive. Don't unmask your heavy artillery in the first skirmish. Gradually increase the pressure on the delinquent. Four to seven letters, ranging in tone from mildness to severity, will do the work, and in the majority of cases four letters are sufficient.

This plan does not mean to thin the first letter in order to give force to the second or third. Every letter has its definite theme and tone. The first is merely a reminder of an account overdue. The keynote is geniality. Here is an opening paragraph of a letter written by a clothing firm. It says:

You have doubtless overlooked paying the enclosed account of £11, now overdue. We will appreciate it if you will let us have a prompt remittance.

The letter is warm and friendly without being wheedling. If the customer has some good reason for not paying the account, the way is open for him to say so. The possibility of offence is avoided by permitting the customer to assume that the writer considers non-payment due to an oversight.

Contrast the letter with the brutal directness of a retailer who said :

Your account is now overdue and we would like to have it settled promptly. Kindly remember that when we extended the privilege of a credit account, it was with the distinct understanding that your accounts would be taken care of promptly when due.

This letter brought the money but cost business. The customer who overlooked an account or had failed to pay because of a sufficient reason, paid up, but promptly transferred his account elsewhere. The "poor pay," moreover, was unshaken.

A collection agency formerly used a harsh form letter as a first effort to collect its accounts as soon as they were received. It read :

Do you want us to take action against you?

Does it make any difference to you whether or not a blot is placed on your name in the shape of a court judgment for debt, which would be a notice to your entire community that you have failed to meet the terms of a contract which you have signed?

Is it immaterial to you whether or not your business associates or neighbours know that it is not safe to enter into a contract with you, for the reason that you do not pay your debts and meet your obligations honourably?

We want you to answer these questions and if their meaning is plain to you, we ask that you consider the advisability of arranging at once to adjust the balance of 35s.

It soon became apparent that this letter was not bringing good results. An investigation to find the reason showed that in a great many instances the letter antagonised the debtor and put him on the defensive, instead of inducing him to make a special effort to settle the account.

A new form of collection letter has been substituted which reflects a totally different attitude on the part of the collection agency. This new attitude is distinctly an impartial one. Here's this "right" letter :

The Jones-Smith Company has placed in our hands the enclosed statement of the amount they claim you are under con-

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tract to pay. They state that they have fulfilled their part of the agreement, but that in spite of repeated urgings, you have failed thus far to fulfil your part.

As intermediaries of many years' experience in adjusting differences between business men, we have found that frequently there is a misunderstanding of the terms of agreement; and in taking this matter up for our clients we hope that you will trust us to act in your behalf also (without charge to you), and thus assist in bringing about a settlement on a basis of friendship and good will.

We believe it is our clients' intention to treat you with the utmost fairness, for they are favourably known in the business world; and we infer it is your intention to treat them honourably, for it seems hardly likely that, for so small an amount, any one would wish to forfeit his self-respect and the respect of those with whom he deals.

We invite you to write us fully and frankly. If there is any reason why the account should not or cannot be paid, tell us why and your reason will have the utmost consideration.

We trust you will, by your early reply, show your appreciation of our efforts to bring about a prompt settlement that will be fair and just all around.

Here is another letter; its purport is unmistakable, but it is couched in language to which not even the most obdurate and disgruntled debtor could take exception:

Our accountant is with me in my contention that yours is a "gilt-edged" account. He says he has several times reminded you of the amount due to us, but so far without result.

Being personally interested in your business and good will, I wonder what the reason is. Your account of itself is not seriously worrying us, of course, but our business is largely composed of such accounts, and unfortunately, our own accounts and wages bill must be met.

I shall appreciate it as a personal favour if you can let us have a remittance. You can, I am sure, send us a cheque to cover those items which are overdue. It would be really helping us.

One more favour—I should like to hand your cheque to our accountant myself. I want to prove to him that our friends are friends indeed. For that reason I enclose a stamped addressed envelope and shall look forward to hearing from you. In case our statement is not handy, a copy is enclosed.

A good example of the friendly tone in letters which are meant to be purposeful is given in the following letters sent out by a tactful business man:

There is something unpleasant about a statement of account. An account may be ever so just, and yet, well, nobody likes to receive bills.

In handing you this statement for £25 covering our invoice of September 12th, I should be glad if you would consider it not as worrying you, but as a friendly reminder. The account is now overdue, and I am sure we can count on you for an immediate remittance.

Then comes the next :

You have some bills of your own to collect, I am sure, and you know the satisfaction when a customer pays up promptly.

That is the way we have always felt towards you, and we are sure you would esteem a continuance. We are very anxious that you should pay your account now, before it gets any further overdue.

Will you not tell your cashier to post a cheque to-day?

Which is followed with this :

When your account was opened with us, we had every reason to believe that you would pay it promptly when it became due.

In making the usual investigations, all of those with whom you had done business spoke very highly of you in a personal way and assured us that you would meet your obligations as they fell due.

It is difficult for us to understand why it is that you have not met our account for £25.

Before going further, we want to give you another opportunity to pay your account with us, which is long overdue.

We shall expect your remittance by return of post.

That leads on to :

We appreciate your business, and are anxious that the friendly relations which have existed in the past should still continue between us.

At the same time it is only right that we should mention that if settlement of this account is not made within the next few days, we shall have no alternative left but to hand the matter over to our solicitors.

We regret the necessity for sending you this letter, and trust to your sense of fairness to set the matter right and to forward a cheque to cover the items referred to without delay.

How Sales Paragraphs in the Collection Letter Coax Money from Unwilling Pockets

You can, with advantage, add sales talk to the first collection letter. In spite of his slight delinquency, your customer's business is still valuable; therefore, a short paragraph showing appreciation of the debtor's business

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or suggesting a special bargain, has value. This sales paragraph may point out buying values which have been overlooked; testimonials from other customers may be inserted; your problem is one of advertising. Here is a sales paragraph used with good effect by an outfitter:

Perhaps you have not re-opened your account with us because you have been putting off the selection of your spring suit and do not feel quite ready to buy. You will want, of course, to make your selection from our full stock of patterns and exclusive styles. Come in now, while our spring line is complete. You will be sure to find here just what you want, at prices that will suit you.

The idea behind sales talk—overcoming the diffidence of the man who owes and bringing him into the shop—can be varied in scores of ways.

Routine replies to any “first” letter can be handled by the secondary system or, if the occasion demands, by a dictated letter. If these first attempts fail, turn back to the letter series.

Make your secondary letter decidedly urgent in tone. In most cases the account is still valuable to the house, however, and you will not care to risk offending a customer. Let your letter carry sales talk, but not to any length.

An opening for a good second letter now used by a large wholesale house runs like this:

Although we wrote you ten days ago, informing you that your account was overdue, we have not been favoured with a remittance. It was agreed, as you know, that our terms were to be net cash, and as the account is getting quite old, we must ask you to settle it promptly.

A brief selling talk similar to that in the first letter follows. Others use the second letter to advance the justice of their claims. Frequently the action of slow paying customers is caused by delays or errors in delivery or other faults of the firm. The wise correspondent uses the second letter to uncover and dispose of any dissatis-

faction. In most cases the second letter will bring in the money or at least develop a basis for settlement by individual correspondence. If it fails, turn again to your letter series.

Be curt in your third letter. Give your reader to understand that you have shown him a favour in extending the account so far as you have and end by telling him definitely that you insist upon payment being made upon a certain date. Point out the disadvantages which account dodgers are certain to suffer. Hint that you are quite ready to take the case into court if you are forced to do so. Outline the resources you have for forcing payment, such as credit associations and business alliances with competitors.

While in the earlier letters—the first particularly—you invite an excuse from the customer for not paying, the third letter assumes that no valid reason can exist for not living up to the terms of the sale. Write it in this way :

We have written you twice previously, asking payment of your account of £7, but you have not, as yet, settled it, nor have you given us any reason for your failure to do so.

You can follow this opening paragraph by a hint of harsher methods to make your debtor pay. An effective phrasing for the second paragraph is this :

Are you going to force us to take legal means to collect our little account? Surely not.

Continue by showing your customer the weakness of his position and the strength of yours. If you have reason to believe that this line of attack will not budge your man, intimate, but do not threaten, his ultimate humiliation. Let him contemplate the consequence pending. Close with a paragraph reading :

We shall wait ten days before adopting extreme measures. In that time we sincerely trust that you may see how very much

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better it will be for both of us to dispose of this matter in friendly fashion.

If you are certain of your debtor's obstinacy, substitute for the foregoing paragraph a line like this :

Spare us the necessity of legal action by sending us a remittance right away.

Make the fourth letter of your series short and imperative in tone. In your preceding letters you have reminded and attempted to sell, jogged the memory of the delinquent a second time and attempted to spur him to action. As that method failed, the evident recourse left is the law.

Do not temporise, therefore, in the final letter. Open with a line recording how long the account has been ignored. Curtly state that you do not propose to carry it any longer and conclude with the plain fact that unless the account is paid within a stated number of days action will be taken without further notice.

After the final letter, an attempt may be made to get in personal touch with the delinquent, either by salesmen, by telephone, or by a personal call, with a view to ascertaining if there is a reasonable chance of avoiding legal action. It is unwise, however, to re-open the case by correspondence after the letter has been sent, as it will lessen the force of previous efforts. You have worked up the pressure of your series and given your man a fair chance to arbitrate at every juncture ; the emphasis must be maintained to the climax.

Part II

TESTED SCHEMES FOR SPECIAL CASES

Set Him Thinking

HOW to put *Bother, Resistance, Uncertainty* in the path of non-payment—how to convince your man that delay will prove disadvantageous—that the one simple and safe thing is to pay up—

There you have the problem of all the novel and clever appeals by which leading collection managers clear the way between the debtor and payment; put the favourable considerations on the side of promptness; crowd every disadvantage into the other side of the scales.

The plan that collects hard accounts must be like the scheme that pulls more sales. It must get under the debtor's skin—prove the friendly fairness of your position—make him smart under the unfairness of his delay.

Guard against the twists and angles of delayed payment. Allow no excuse, no chance to get out of sight, no ground for complaint.

Show your man his interest in promptness. Then find the scheme that flashes your appeal.

Get his attention. Make payment easy. Then hint what delay may bring—make evasion hard—*set him thinking*

CHAPTER VII

EFFECTIVE APPEALS TO DEBTORS

PLANNING schemes which will jolt the safe but slow pay delinquent out of his self-complacent, "Oh, let him wait," makes the collection man lie awake at night. Pressure of the proper sort can be applied to the ordinary debtor with comparative ease, but the surly and sulky, the careless and indifferent must be approached in a novel way. They have to be startled into dropping their money into the cash drawer of their creditors.

This is the class which requires all the ingenuity of the credit man and his collectors. Callous to the ordinary methods of approach, this sort of debtor can be handled only by an attack from an unexpected quarter.

The classification runs from the bride who confesses that she doesn't "know a thing about business" to the polished business man who by specious argument and clever talk has lured the credit man into planning unsafe terms for goods. The rule behind most schemes and levers for the collection of such accounts is to make the debtor feel the danger of his position. Make him see that the consequences you are rolling up will cost him more than the money's worth.

It may be necessary to wear him out—never give in, but make payment his only exit from an embarrassing situation. Schemes effective on such a class have (1) the attention value of novelty; (2) the threatening value of uncertainty.

The managing director of a company sent this personal letter to hardened debtors who had made no response at all to previous correspondence. It succeeded where other methods had failed: 25 per cent. replied and of these one-fifth made payment.

On my desk is a request for a special investigation of your credit record. These matters never come to my attention until the debtor has refused to reply to our courteous request for information as to why an account remains unpaid

After going over the office records of your case, I find that you have received a letter inquiring why you have not paid the amount noted below. This request was written to you with the intention of saving you embarrassment, annoyance, and expense of legal action.

In appealing to your good judgment and sense of fair play, I want you to write me personally just what the trouble is in your case. It is possible, of course, that you are not in a position to pay the account in full, but can do so in instalments. Tell me when and how you will be able to pay.

I am unwilling to believe you will force us by silence to refer this to our solicitors, which will become our duty, much to my regret. This case will be held for your reply, if attended to promptly. £7 due.

The manager of another company sends this letter when a debtor hasn't responded to the first two requests. It appeals to the debtor's sense of fairness and warns him that serious action will follow his neglect.

HOW TO PUT EXTRA PRESSURE ON OBSTINATE DEBTORS

COLLECTION SCHEMES

RE-INFORCE YOUR LETTERS WITH: BOTHER DEBTOR INTO PAYMENT BY:

Self-addressed envelope.
Remit-easy cards.
Tags and Reminders.
"Good Fellow" appeal.
"I Helped You"

Sending collector to wait.
Advertising judgment.
A personal call
Writing on special stationery.

TAKE LEGAL STEPS AS:

Recovery of goods.
Action for judgment.
Action for damages

CHART X There are few debtors on the average list who won't pay. Most of them are merely slow payers and you need only jog their memory. The chart suggests schemes which will startle them to action

We are just wondering why we have not received a reply to either of the two letters written you recently with reference to the enclosed account.

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You understand from your own experience that in order for us to meet our obligations and remain in business, it is necessary for us to collect our accounts promptly. However, we wish to co-operate with you in every way possible, and would be glad to grant an extension of time whenever the circumstances warrant it, but we of course are unfamiliar with the condition of your business, and conditions generally in your locality, and we cannot know how to co-operate with you unless you will advise us.

We would therefore appreciate very much your remittance by return post, or advice as to why the account should not or cannot be paid at this time; and as we are asking no more than the courtesy you would expect from your own customers, we trust that you will respond promptly to this request, and that we will hear from you without fail before September 1st, and thus avoid the necessity for drastic action.

If he doesn't reply, this telegram is sent. The combination of letter and telegram has helped to collect 90 per cent. of slow accounts.

Have not yet received reply our letter August 20. Please wire immediately as definite action will be taken on this matter September 5.

How a Two-Word Letter Opened Up the Pockets of Tardy Debtors

Two words forming the complete text of a letter make up the best collection scheme in use by an instrument dealer.

A correspondent had dictated a strong letter to a sulky debtor, opening with the words, "*We positively.*" In transcribing her notes, the typist misspelled a word, and instead of erasing, jerked the sheet out of the machine. This note, being only the name, address and words, "*We positiv-*", a careless office boy mailed. The next day the debtor, who had ignored all other attempts to get in touch with him, mailed back the letter with a note of inquiry. The correspondence so started ended with payment in full.

The idea was successfully tried on other debtors, and is now a part of the collection system. It almost in-

variably induces the debtor to break silence. The complete letter as it now stands is typewritten on a house letterhead to identify the sender and consists of the ordinary salutation, followed by the words "We positiv—" There is no signature. A sense of uncertainty and insecurity is roused in the debtor's breast. The "positiv—" implies a strong threat of decisive action. The feeling of insecurity thus aroused makes some debtors answer; curiosity leads others to reply; others are delighted to rub in a few "nasty" remarks about slack office system. An apology for the "mistake" is posted in reply and forms the basis for future correspondence that in the end brings in the money.

A Novel Idea for Waking Up the Overdue Debtor

A similar idea used in another case consists of increasing the size of envelopes with each letter to a debtor. The ordinary size cover used on the first letter increases to an envelope nearly a foot square at the third attempt to collect. The last letter is as large as the post office will handle. Some debtors need only be impressed with the fact that collection has gone beyond the ordinary routine to make them pay. That is the reason why stationery with "Credit Department" or "Legal Department" printed at the head moves some debtors to payment.

"I long ago stopped scolding debtors or doing anything to irritate them, but I always let them know that their manner of paying is under constant scrutiny—and I manage to do it in a way that leaves no bad effects."

These are the ideas of a successful credit manager who says that as a result of using them, his annual losses from bad debts for seven years have averaged under one-fifteenth of one per cent. of the sales

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His plan is very simple. It consists of attaching a small yellow sticker to statements of past due accounts. The sticker, printed in red, reads as follows :

..... DAYS OVERDUE—KINDLY REMIT PROMPTLY

The number of days is filled in, with a blue pencil, to fit each case. It is this blue pencil notation which eliminates the cold formality of the more stereotyped forms of this same idea, and creates a personal point of contact which the debtor cannot help but recognise. This credit man says that he uses this form exclusively.

A retailer who has a large number of small accounts has unusual success in collecting them, which he attributes to a neatly printed enclosure which goes in the envelope with every bill he renders.

The following sentences are printed on this enclosure :

Please don't say—

"Oh, it's small—he's in no hurry," for nearly all our accounts are small; if you'll stop to think a minute, you'll realise that. We hope our customers will be as prompt in the settlement of our small bills as they are in the settlement of larger accounts.

One firm handling thousands of accounts, encloses with the receipt the following courteously worded little slip, neatly printed, when payments are delayed :

THANK YOU
BUT WON'T YOU PLEASE SEND US YOUR PAYMENTS
REGULARLY? YOUR NEGLECT TO DO SO NECESSI-
TATES OUR HAVING TO REMIND YOU—DISTASTEFUL
TO BOTH OF US WE SHALL CONFIDENTLY EXPECT
YOUR REMITTANCE ON THE FIRST OF EVERY MONTH
HEREAFTER.

Another firm sends out the following letter under similar circumstances :

WE THANK YOU

For your remittance of £2, and for the honesty of purpose shown in wanting to pay the account

It is very annoying, however, to have to remind you so often regarding the payments.

Please be more prompt and save both of us annoyance.

The collection proof debtor, wise to the tricks of the trade, is too wary to be snared by a curiosity appeal, but his business knowledge, gained by former encounters with creditors, can be used to his undoing. One firm, advised by a debtor to "go ahead and sue, Court costs will amount to more than the bill," realised on the debtor's experience with legal complications. The trader assured him that action would be begun on a certain date, and stated that according to his routine, when he secured judgment, it would be advertised. The certainty of business publicity made the delinquent cry off.

"In cases where a special discount is allowed for payment within, say, thirty days, it is a good plan to remind the customer a day or so ahead of the date when this discount period expires," says a manufacturer's representative who has built up a big business. "I make use of a telegram in this connection.

"On each customer's bill is printed in red ink a statement to the effect that if it is paid by a certain date—thirty days from the date the goods were supplied—a special discount of two and one-half per cent. will be allowed him. Suppose this discount period expires on December 15th. On the morning of December 14th the customer will receive a telegram worded :

To-day is the last discount day on our November account.

"This acts as a strong reminder to the customer and impresses upon him the necessity of sending the cheque the day the telegram is received. The plan takes into consideration the fact that when the average man receives a mere statement or a request for payment he

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puts it aside and in many cases the statement gets entangled in the mass of papers that accumulate on his desk.

"The 'telegram scheme' gives the recipient little chance to forget or mislay—it demands immediate attention, and usually gets it. It furnishes no excuse for customers to say, 'I intended to take the discount, but forgot when it was due,' and it leaves them without a 'leg to stand on' if they do take the discount after the discount time has elapsed and we refuse to accept their cheque."

"I had my back against the wall," declares a business man who does an extensive credit business. "My wife had been ill, an operation necessary, and a property deal I was in went wrong.

"Money was scarce with me, and all my creditors seemed to choose the same time to shout demands for their money. I began to imagine myself telling it to the bankruptcy officials.

"I realised I couldn't go roughshod after my debtors. They were nearly all responsible business men and an attempt to dun them by harsh methods would have meant losing much of my trade. So I decided I must get after them with some inducement to settle quickly. A cash discount for immediate payment was the idea I struck upon. I wrote a letter to every customer owing me, and the results it brought carried me along until the clouds lifted. Here is the letter that saved me :

While it is unusual for us to offer a discount, and our margin of profit does not justify it, it happens at this particular time that our expenses are unusually large, and it is quite necessary in order to meet unexpected circumstances that we make some concession to raise money by the end of this week.

Should you have money lying idle in the bank, perhaps a discount of 5 per cent. on the enclosed account will be sufficient inducement to forward us a cheque.

We want it thoroughly understood that this is not a request,

but only an offer we are making you—you are at liberty to accept or decline.

Should you care to favour us, please forward cheque so that it will be received by Saturday, at the latest, as we will be unable to give discount beyond that date.

“A dealer in the days before I came here, owed us £100,” says the credit manager for a wholesaler. “Two letters failed to bring any explanation other than a reply that he simply did not have the money at the time. Following blindly the routine collection process, my predecessor sent this customer a brief communication telling him to find the money somewhere or go to court. Action followed, the dealer went into bankruptcy, and we ultimately received less than thirty per cent. of our claim.

“A few months after I took charge a similar situation arose with a customer on a £120 account. Delaying summary action, I proceeded to make a thorough investigation of the case. In a few days I found that the customer, although temporarily embarrassed, had always been a shrewd and careful retailer, and that, if given time, he would probably regain his financial position. I wrote him this letter :

We appreciate fully the contingencies that have made it impossible for you to settle your account with us before now, and as a mark of our appreciation of the promptness with which you have always met our requests in the past, we are glad to extend to you any reasonable privilege

What amount could you arrange to pay us monthly on your present account. If you can make regular payments on it, we will be glad to send you in the meantime any goods you may desire up to a reasonable figure, and you can settle for them on receipt of the statement each month. This plan should be no hardship to you, and it will enable us to continue doing business on our long standing and cordial basis

“To this letter the retailer replied offering to pay £10 each month. Thus I succeeded in raising to £12, offering to send the customer new goods up to the value of £20 monthly, to be paid for promptly.

“On this basis the £120 account was settled in full ;

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the firm secured, and was paid promptly for, the current business ; and a year later, when the customer had reinforced his bank balance, the house secured practically a monopoly of his trade in its line.

"You can see that by my plan the offer of a definite rate of payment came from the customer himself. In this way I succeeded in drawing the dealer out, getting an insight into his financial condition and betraying none of my own extreme eagerness to secure a settlement.

"This is one example of how cautious and considerate treatment of the customer and an understanding of his case just at the critical time, may point the way to a compromise rather than to a court."

Tactful Use of the Telephone is a Collection Aid

Slow accounts are followed up on the telephone by a coal merchant in an affable but persistent way. After two or three statements have been sent out without getting results, he calls the customer on the telephone and tactfully explains that while he knows the debtor will pay, he cannot afford to spend so much time collecting, and is afraid he will have to decline credit to the family unless the bill is settled at once.

He has found that most people are not annoyed at being tactfully called over the telephone about their bills. On the contrary, he often learns about extenuating circumstances, and is glad to wait for his money in order to keep the trade of the customer.

"I used to send one of the men out to make collections," he says, "but I find I can do better by talking to people myself. I am better able to judge what the conditions are. Even my most urgent appeal for money is very pleasant. A man need not be cross to insist that what is due him shall be paid, and I know I have made

many of my debtors better customers as the result of collection conversations over the telephone."

Another company put in practice a plan of telephone collection of accounts which has produced unusually satisfactory results ever since.

Before that time they had sent out statements followed by a series of letters, posted from ten to fifteen days apart. Calls were made between the letters, and each call mentioned to the debtor the fact that a letter had been posted and no reply received. The plan was not too satisfactory.

*This Plan Makes Telephone Reminders
Automatic*

Under the plan as now used, at the first of each month is made a duplicate list of delinquent customers, arranging the names alphabetically four lines apart and numbering them consecutively. Under each name is listed the customer's address, the age of the account, and the amount due. One copy of the list is given to the 'phone operator, who writes the customer's telephone number before his number on the list. The other list is kept in the cashier's department, where each morning a group of the names are selected and handed to the operator.

As the operator has a complete alphabetical list, she needs merely a list of numbers. The operator refers to her list for the customer's telephone number, calls the customer, and transfers him immediately to the department, saying only, "Number four," or whatever the number may be. The cashier, turning to that number on his list, has all the information before him.

When the customer is reminded of his delinquency, often a promise to pay within a certain time or a reason for any further delay is secured, and a note is made on the list. This list is gone over twice a week and the num-

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bers of those who have failed to keep their promises are again given to the operator. Notes of the customer's exact statement are made at each call.

A delinquent often ignores a letter, and sometimes avoids the collector. But he almost always answers his telephone, and he cannot then avoid giving some answer about the settlement of his account.

Following up a debtor promptly after he fails to keep a promise further stimulates payments. Sometimes a call brings a payment of the full amount owed; frequently it brings a partial payment and a promise of the balance on a stated date. The plan has collected about 75 per cent. of "bad debts." Hence it has undoubtedly justified its use.

How the Collector Plays Detective and Ferrets Out the New Stopping Place of the Runaway

Closely allied to the "won't pay" class, but generally lacking in cunning and shrewdness, is the runaway, always found on the delinquent list of firms which collect by post. Distance makes him immune from ordinary schemes of collection. He has found that as a general rule it is cheaper to move than pay bills. Here cunning is matched with cunning.

When the post office returns the collection letter marked "address unknown," the collection man's highest skill is called into play in tracing the bird that has flown. If he is wise, he is prepared for just such a condition and has a dozen ways of finding the missing person.

One collector gets an accurate line on all his customers by giving an accident insurance policy as a premium with the goods. The policy is cheap, as the liability is limited. But if the buyer runs away he can be traced through the heirs and beneficiaries mentioned.

Another manner of tracing found acceptable is to get in touch with shopkeepers near the former home of the debtor and offer a small reward for accurate information.

Some firms keep a cheek on the debtor's bank. If the buyer dodges payment by moving, a courteous letter to the bank sometimes brings the new address of the client. Some creditors trace by making up a fictitious letter-head and offering, under some excuse or other, to send the person addressed a free souvenir spoon. A reply fixes the debtor's address, and collection efforts are resumed.

Another firm instructs its salesmen to inquire about children in the family when the goods are sold. The name of the school they attend is noted and if the parents move they may be found through the transfers given by the school authorities.

*Make Your Debtor Feel Anxious about
His Failure to Pay*

Every collection man has his own box of tricks to meet low cunning. The variations which he plays upon detective schemes, curiosity, embarrassment and persistency are without number. Analysed, they all hark back to one principle. Debtors who refuse to pay are in the wrong and know it. Payment follows the use of a scheme which brings to a focus the elements of anxiety and uncertainty which lurk in their minds.

A trader in a fair-sized town has a reputation for getting down to "brass tacks" quickly in all his business dealings. His collection letters verify his reputation, for he's a man of few words, and less patience, with the chronic delinquent. The letter which he sends after he has exhausted other means minces no words and sometimes gives offence, but he believes that the debtor is withholding money.

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Honest men pay their just debts.
Dishonest men do not pay their just debts.
You owe me £3
Which are you?

"I admit that, generally speaking, the rudeness of this letter has more against than for it," says this trader. "But in many cases it has brought money I never expected to see, and sometimes customers came back to my shop to trade when they kept religiously away before the letter was sent out."

The manager of a collection agency states that he has at times found it a very successful plan to appeal to delinquents from as many different angles as possible in a letter. "Many debtors who are being constantly bombarded by dunning letters seem obsessed with the idea that there is no necessity for making a payment until a series of dunning letters has exhausted the angles of appeal the collector is able to discover," he declares.

"For this reason I have found it successful to put as many appeals in one letter as possible and I find that I get quicker action. Here is one letter which has been found especially successful. It holds out but little hope for the debtor to console himself with :

This is a collection letter—
But it's a different kind!

I'm not going to try and "scare" you into paying for that lamp which you ordered on May 15th, giving me your positive promise to pay the £3 balance in ten days.

But I AM going to try to appeal to your MANHOOD. I'm going to try to reach that "something" inside of you that would make you ASHAMED to slip your hand into my pocket and abstract a pound note—and it is the same "something" that makes you ashamed to keep my goods and refuse, fail, neglect, or forget to pay for them.

Now you justly owe me this small account—you KNOW that—and maybe it was at first inconvenient to pay all of it, and things just slipped along until you forgot about it. Maybe you got angry. Maybe you were out of work and absolutely unable to pay.

BUT THERE IS CERTAINLY ONE STEP YOU CAN TAKE!
That is to send me SOMETHING on account, and tell me just exactly what to expect.

I'm making this frank explanation to you because I want you to have a chance. We sent you goods in good faith, believing you to be honest, and we must do our share to protect other dealers from loss if it turns out that you do not intend to pay. So I suggest that you REMIT SOMETHING. If it's only ten shillings—it will show you mean to do what's right."

The problem of how to "dun" a customer for debt and still retain his custom is one that perplexes the wisest of us at times; and nothing is more impossible than to lay down any hard and fast rules. Doggerel—

"Of all the sad and unkind words
That mankind ever writ,
Surely the saddest ones of all
Are these two—Please Remit"

—brought a cheque by return where the ultimate threat of legal proceedings had failed. In one case where the customer was genuinely unable to pay it brought, indeed, not only a cheque, but a neat rejoinder:

"I send herewith a cheque in full—
Alas! that to my sorrow
To recompense you for your wit
The cash I had to borrow."

It is, however, an approach at which your true conservative in business might look askance.

Money Not the Only Object—What About an Order Too!

There is much to be said for the letter that at one and the same time requests a remittance and suggests that an order accompany it. The hint that, despite delay in settlement, the customer's order is wanted and valued, is seldom entirely unproductive; as witness:

Please accept the enclosed statement as a courteous reminder of your account with this Company, which, according to our books, is overdue and amounts to £—.

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Will you kindly look into the matter and favour us with your cheque in payment thereof?

Money, however, is not our only object—will you send us an order with your *chèque*?

Thanking you in advance for both.

Where this fails, and the customer is one who is known to take his obligations seriously, the personal note almost always brings a response of some sort, and more often than not at least a cheque on account. It also makes it difficult for him to do what he is probably contemplating—opening up new credit accounts elsewhere :

If you were to see the cabinet of cards on which we record our customers' names and business done, you would notice that every now and then one has attached to it a little black tab.

That black tab sticking up means—"bad payer." And I am sorry to say your card has just been brought to me to have one of these tabs attached.

I thought before thus "branding" you, I would just write and tell you what was happening, as I am quite sure the matter of settling our outstanding account must have slipped your memory.

The amount in question is £—, and I shall confidently look for your cheque by return.

Where the second letter is unproductive, fall back on the iron hand in the velvet glove—very frequently you find that a fellow-feeling makes the customer wondrous kind :

Twice now we have written, pointing out that the amount shown on the attached statement is very considerably overdue, but to neither of our letters has any response been made, and really we do not quite know what to do.

You are not treating us fairly in holding this account up. We gave you prompt service and our costs, principally wages, have to be met each week, and unless clients pay their accounts within a reasonable period our service to them is bound to suffer.

It is no pleasure to us to place accounts in other hands for collection, but the fact is that you are not giving us much option. We hate threatening to do this, but what do you suggest we ought to do? What would you do, were the positions reversed? We want your business—we appreciate it, but we must have payment in proper time for services rendered, and so must you. Won't you send us your cheque along so that we have it before the end of this week?

Where this fails, a fourth letter should be the limit of

the creditor's patience; and it should be brief and definite :

It is with regret that we find it necessary to send this fourth letter, our last REQUEST to you to send your cheque to settle the attached account

This obligation was incurred several months ago on the basis of Cash Net thirty days, and it seems reasonable to believe that ample time has elapsed for you to comply with the terms on which your order was executed

If your remittance for the full amount is not received within a week, we shall place the account in other hands for collection without further notice.

Failing a prompt remittance, the threat should be carried out Further letters from the firm itself will suggest a weakness that will merely encourage the defaulter to a belief in your indulgence that will deter him ever paying accounts at due date.

CHAPTER VIII

ENCLOSURES THAT REINFORCE YOUR LETTER

ANALYSE the problems of collection which baffle you. Send the debtor a duplicate sales slip or provide him with an easy-to-carry reminder which will keep the bill uppermost in his mind. Must you remove an obstacle in the debtor's way? Send a self-addressed envelope. Offer to accept the risk of currency sent through the post. Make payment easy by furnishing him the convenience that would good-naturedly spur you.

A shopkeeper cleaned up his bad accounts by a subtle threat of notoriety. Driven to close financing by his bulk of slow pay accounts, he startled the populace in his town of 2,000 with an advertisement. In it he pointed out the effects of the loose credit system which he had adopted. He announced his purpose of making a change and offered cash prizes for the best essay of two hundred words on "How to Collect Slow Accounts." He printed the best essay in the newspaper and had a number of pulls run off. A lurid headline on the pull attracted attention when enclosed in a collection letter and debtors crowded into the shop. They feared that he might actually adopt the suggestion carried in the prize-winning essay, that of publishing the names of the people who owed him.

Nobody was hurt, no one was angered by importunities for money. The dealer studied his case and found a remedy for it. He made possible gossip a potent collection assistant.

The good collector is a quick thinker and stands ready to turn slight incidents to his advantage.

While ways of offering help to a debtor suggest them-

selves, some collectors reverse the proceedings and offer the debtor a chance to help them. One collector encloses an inter-department note which, signed by the managing director, carries an admonition for lax collection methods. The correspondent in forwarding the note writes that he has to his loss been lenient with the debtor and concludes by asking the debtor to help him. Proof of the collector's dilemma is in the debtor's hands and it has an effective pull on the good-fellow class.

*Persuasion That Wins the Debtor's Co-operation
and Lines Up One Entire Class of Accounts*

Selling talk, suggested for the first collection letters, can be strengthened by the addition of a sales circular of proved pulling power. One firm which has made effective use of this plan encloses circulars in all "first" collection letters. The reader, eager to secure the new article, proves his good faith in ordering by paying up his indebtedness.

Novelty is the magnetic force in any collection scheme or enclosure. Don't use the stale and transparent device. Get the idea—build upon it for yourself. All of the schemes outlined are susceptible to change by the collection man. They merely need some twist or turn or presentation from a new angle to lend freshness to your methods. Follow the principle of business analysis and fit the idea to the man.

"It is always difficult to get slow-paying customers to commit themselves on the question of payment," says a dealer. "No matter how specifically you may frame your letter, they will almost invariably offer excuses to dodge the real issue.

"This became such a serious handicap to our collection department that I cast about for a remedy. I finally hit upon what I call the 'ballot' plan, because it

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is worked out along the line of an ordinary election ballot. I have found it the most effective and profitable method of pinning down a slow-paying customer to a definite promise to pay that I have ever used.

"It even relieves the customer of the trouble of writing a letter. All he is required to do is to mark this 'ballot' the same way he does at an election.

"You will note that the first five reasons are the customary excuses debtors give as to why they haven't paid their bills. These were included in order that the ballot might not be too severe on the customer who really had a good excuse.

"Each of the last four is a definite promise to pay at a definite time or by a definite method. All the customer has to do is to fill out the 'ballot' and sign his name."

WE WANT TO BE FAIR. SO DO YOU

Don't bother to write a letter—just "VOTE" on this sheet; date, sign and return it in the enclosed stamped envelope NOW.

CONFIDENTIAL

Date

Gentlemen:

We indicate below by a cross-mark our reason for not having paid our account with you of £32 10 0.

- Oversight
- Error or overcharge
- Disagreement as to price or terms
- Slow collections
- Unsatisfactory sales
- We enclose £ ..
- Will remit in days
- Request days extension of credit according to signed acceptance herewith (sign below).

Remarks:

.

CHAPTER IX

DETAILS TO WATCH AND ERRORS TO AVOID

“PUTTING a premium on procrastination, that’s what we’ve been doing,” said a managing director to his collection manager. “We’ve been offering discounts and inducements to the settlement of bad accounts until our debtors sit back and wait for the special offer that suits them.

“And we’re going to stop it. Now. Hereafter our favours are going to the people who pay their debts when due.”

The new policy was followed to the letter, and tests showed its wisdom. More money was received by demanding payment on a business basis than was received under the special offer system. Debtors, knowing the firm’s policy, had deliberately deferred paying and awaited the payment in full offer that suited them. When letters showed that the firm would go no farther in its special offers, they sent in their money.

Inducements were the short end of the expense and loss involved. The offer caught only the cream of the trade—the men who would have paid anyhow. Delay in collecting accounts, extra stamps, stationery, clerical assistance and bookkeeping all combined to run up collection costs. The new plan—that of sending clean-cut collection letters which wound up with notice of legal action—shortened the time of collection and won over debtors who had tossed the special offers into the waste basket.

Though condemned by a majority of collection men, the special offer scheme of bringing in money is still used. The unthinking collector fails to realise that he is training the debtor in delinquency. By rewarding the slow

payer, he takes away the incentive to prompt payment. He not only rolls up obstacles for other business men, but he destroys chances of prompt payment in other business bargains with his debtors.

If it is advisable from the nature of your business to give discounts for cash, give all the customers a chance at the savings. Show the list of premiums or discounts on your account so that the buyer knows in advance all the profits which lie in paying up.

"Many customers will take off the two and a half per cent. discount, regardless of the fact that the time limit has expired several days before; and some will deduct the amount even though the account has reached maturity," says a wholesaler "This I never allow, unless the debtor, when remitting, presents a reasonable excuse, or unless the firm is large and I know they pass their accounts for payment on a certain date each month.

"My letter to the man who takes the discount after the time expires is as follows :

Thank you very kindly for your cheque for £29 5s 0d, which we have placed against your account of £30

Your attention, however, is called to the fact that you have taken off the two and a half per cent discount, although the ten days' time in which you were allowed to do so has expired by twenty days

Probably this was an oversight on your part If so, you will, of course, post this small difference at once Or, did you purposely take this discount, feeling justified in doing so for some particular reason? If so, you will undoubtedly be glad to let us know the circumstances

Let us tell you the conditions we face We have thousands of customers who pay their bills within ten days, simply to take advantage of this discount. You will appreciate that we would do them a great injustice by compelling them to pay within the time limit, while allowing you to settle at maturity and still take off the discount.

Then, too, you probably know that a manufacturing concern depends for raw materials upon the money received from its outstanding accounts.

When we are paid promptly we can purchase these raw materials in bulk quantities, thus getting the benefit of a large discount, and, in addition, often a two and a half per cent. dis-

count. This means saving a considerable amount of money yearly. So, to encourage our customers to pay promptly, and place money in our hands to use, we give them a two and a half per cent discount when they pay within ten days.

In view of these facts, unless you feel you have a good reason for taking off the discount, we feel confident that your cheque for the difference will be received promptly.

*Getting Away from Blunders and Makeshifts
which Clog the Gears of the Collection Machine*

Another time-honoured scheme as ancient and as ineffectual as the special offer is the sight draft which many collectors depend upon to force debtors into line. But a draft only irritates a customer, throws a week's extra routine between you and your next move, and destroys chances of a peaceful settlement.

Credit and collection men now unite in condemning the method. They use sight drafts only with some distinctive variation or when the method has been agreed upon in advance. Generally, sight drafts are attached by agreement to the bill of lading when payment for a big shipment is to be made on delivery.

"Sight drafts often offend the debtor," says a merchant. "He may feel that he is being singled out. I never draw on a customer without giving notice, still I make it a point not to give a customer the opportunity to say that he is not getting the same treatment as other customers. I make the notice as general as possible. Following is a paragraph I use with much success :

Our small-account list runs rapidly into "big money"—when these small items total £1,000, according to our custom of years' standing we draw upon the customers on the list. Therefore we have drawn upon you for £6.

"Another paragraph of the same type is :

If we can get all our small accounts in on presenting drafts for them, we can offer you a genuine bargain next month, for we would then be able to make a cash purchase of a line that would make you a profit of about 40 per cent. That's why we bother you with this small account. Watch our bargain list next month. We are drawing on you for £6.

"This method gets results for us. When the debtor who is drawn on can be made to lose the feeling that the creditor is after his 'pound of flesh,' and is shown that a legitimate reason for the action exists, he is much more apt to make a special effort to pay up."

A sight draft which has some effect, but which is losing its efficiency through general use, is the credit association's form. This is the regular sight draft form with the association's name printed on it. If it is not paid on demand, the bank turns the draft over to the agency's solicitor, who proceeds to collect.

*Use Judgment—Don't Let Your Schemes Run
Away With You*

You can raise your average of collection returns greatly by watching the little details which may seem at first to be inconsequential. Don't threaten a debtor with punishment in one letter and be contrite in the next. If your man forces you into threatening legal action, sue on the date set. Your action will increase his respect for you and make your delinquents pay quicker thereafter.

Don't heap abuse on the head of the debtor. Abuse rolls off the back of the hardened one, makes the honest man angry and may rouse a spirit of obstinacy which will further delay matters.

Organise, develop a method and system in your collection department, but don't blindly follow the rules you lay down. Make your schemes yield to judgment. Run your system; don't let it run you.

Don't request payment as a favour. In asking for your money, you are demanding your right. Make the debtor see it in that way.

Don't, by your lax methods, educate a customer into taking his own time for payment and blame him for the fault when you happen to need money. If your customers

are slow payers, examine yourself. The chances are that you are to blame for their delinquency.

"When a debtor writes me in a straightforward manner requesting an extension of time on his account. I always grant it," says one man, "provided the requested extension is not too long; provided it is the customer's first request on that particular account; and provided also that my past experience with him has not taught me that he habitually makes such requests.

*Extension Favours May be Granted, but
They Should be Definite*

"If, however, the length of time requested seems unreasonable, I shorten it; if it is the debtor's second request, I usually grant it, but explain to him frankly that he cannot consistently expect further favours for the same reason; and in cases where he shows signs of developing the habit of asking extensions, I write him at length that he should, and must thereafter, arrange to pay his bills more promptly in order to ensure our continued confidence in him

"In cases where the account is large, and an extension of more than two weeks is asked, I generally request a reasonable part payment by return mail and allow an extension on the balance.

"In granting these extensions, I never grant a short time or a few days. Always, I require a definite payment date; and if the customer does not mention one in his letter I fix it for him. On these occasions I write as follows :

I refer to your letter of the 17th requesting a few days' extension on your account of £14.

It is a pleasure to accommodate you this time, and we shall, therefore, grant you until May 15th. On that date, then, at the latest, your cheque in full payment is expected to be in our office.

"On short extensions of time, if the remittance is not received on the specified date, I write politely but force-

fully. If reasons justify my granting a long extension, I usually remind the debtor a day or so in advance "

Study the legal situation regarding libel and blackmail.

Keep these laws in mind when collecting by telegram.

Don't write a dun on a post card.

Don't indicate on the envelope the contents of a collection letter. Be careful what you say to a debtor if your remarks go by post. Consult the pamphlet of information issued by the postal service Remember that the post office includes as unmailable matter, letters which are scurrilous, defamatory, threatening or dunning in character and obviously intended to reflect injuriously upon the character or conduct of another.

*Six Broad Policies Which Will
Reduce Credit Losses*

The best way to reduce excessive credit losses is to study the methods of those who have been successful in meeting corresponding situations One investigation into the methods used by 286 traders to reduce credit losses classifies their methods, with but three exceptions, under six broad policies :

1. Securing a distinct understanding of terms and limits.
2. Handling customers according to their individual situations.
- 3 Co-operating with fellow traders
4. Making collections monthly.
5. Being impartial.
6. Securing new accounts on the basis of the additional convenience, instead of the unusual ease with which goods may be purchased.

After deciding whether your credit policy is going to be generous or restricted, the next step is to impress upon customers rules which will carry out your decision. When

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a man asks for credit he is most often in the position of seeking a favour—you can “talk turkey” to him if you use ordinary tact.

Credit should not be given if it does not mean an advantage to you, and if extended to a customer who has neither the restraint nor the funds to use a credit account properly, trouble is ahead.

Does Your Customer Understand the Real Meaning of Credit

It is harmful, of course, unless the capital of the business is being over-taxed, to go too far in refusing credit, once it has been decided to grant terms. The average man is honest, and the law of averages is favourable to granting credit after a single glance, provided investigations are made later. But a careful, pleasant, tactful, and clean-cut explanation that credit means keeping a certain amount of capital outside of the business; that only a limited amount of capital is available for such use; and that it is therefore necessary to receive money on credit accounts regularly, according to definite rules, will help the new credit purchaser to live up to his intention to pay promptly.

There is danger in relying too strongly on postage stamps. It is quite possible for the trader with a small business to know every customer on his books, and the larger firms can at least keep card records detailing characteristics and previous relations. Both practices make it possible to adapt collection methods to the delinquent, once it becomes necessary to use them. The man behind with his accounts must be brought to the paying mood, encouraged to exert effort enough to hand over money, and shown that the trader is willing to help him keep his promises to pay, even to the extent of arranging for instalment payments.

Part III

WHEN AND HOW TO FORCE PAYMENT

Set the Pace

WHEN an account lags, put it back to your pace. When a debtor baulks, make a test of him.

Find the trouble—get a settlement.

If it's your mistake, *get right*.

If your debtor only is at fault, find whether it's his trick or his blunder

When a debtor blunders, *help him pay*. You can get your money and his friendship by quick action.

When he tricks *use the whip*.

Make him pay. Train him to come to time.

Look ahead Make yourself familiar with collection law. Learn how far you can go—what help you can enlist—when and where the final steps to force collections and make examples of debtors are worth while.

Know the road. Hold the whip *Then set the pace and train your debtors to keep it.*

CHAPTER X

PERSONAL WORK THAT SAVES BAD ACCOUNTS

PERSONAL resourcefulness counts greatly in getting money from the prominent people with prestige but without cash. The dealer has to extend credit courtesies in accordance with the customer's place in the community, and yet such purchases must be kept as nearly as possible on a cash basis. Their accounts have been termed "influential but not good."

Your plan in dealing with these debtors must be individual. You may find a premium or discount scheme which makes cash trade fashionable and economical. You may circulate advertising matter showing cash purchase savings and selling that policy to your customers.

One shopkeeper who changed from a credit to a cash basis retained his former trade by securing a cash deposit from his customers at the first of every month. Purchases made were charged against this deposit. The system did away with the greatest objection to cash trade, that of having to keep money on hand to pay on delivery.

A furniture dealer writes a personal letter to the doubtful customer and asks him to call. The little talk on credit which takes place during the interview influences the debtor to pay up. Frequently the story told by the customer exposes bad blunders in your system and selling methods. By bringing these to the head of the business and having them corrected you can often hold the complaining customer and prevent other symptoms of loss which appear first on the charge pages of the ledger.

Another retailer found his worst trouble in holding customers who had been extended credit. These, instead of continuing their trade and giving him the little cash

they had, turned to a competitor because they were ashamed to face the man they owed money to. When a delinquent shows a tendency to break away, the retailer calls him by telephone and asks him to come to the shop. The customer cannot refuse, knowing himself to be under obligations, but when he comes in he is not dunned. Instead he is shown a nice line of goods just unpacked. He is told why the new stock is specially adapted to his use and is asked to make his choice while the lot is unbroken. Disconcerted by the new method of treatment and flattered, the customer sometimes buys and pays his old amount on the spot.

How to get into Personal Touch with the Delinquent and Bring Instalment Accounts Up to Date

This scheme of approaching a bad payer from an entirely unexpected angle is similar to the method adopted by the collector for a hire purchase firm. Abuse is the keynote of his rival's methods in collecting. Debtors are scolded and threatened. This man has developed a system of face-to-face collections and made it win.

His men call on a bad pay debtor and endeavour to encourage him, instead of devitalising his efforts by condemning him for passing accounts. The delinquent's confidence returns as he sees that men of less ability and earning power than his are crying and praying for similar comforts.

As a result of the talk, the delinquent generally makes an offer of payment. He either over-estimates or under-estimates what he can do. In the first case, he is cut down. "We don't want to rob you," is the tone of the collector's talk. If he under-estimates, the collector confidentially informs him that the firm is about to begin strenuous collection methods and that it would be well

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HOW TO FORCE A DEBTOR INTO PAYMENT

LAST RESORTS IN COLLECTING

PERSONAL WORK WITH DEBTOR:	CO-OPERATION WITH OTHER CREDITORS.
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Help him by aiding him with his collections	Let credit agency withhold credit
By arranging time payments for him	Trace runaways
By checking his losses and extravagance	Help debtor over crisis.
Apply pressure in an interview.	Conduct forced sale.
By cutting off credit.	Put into liquidation.
Through bank.	

THE LAW—WATCH LEGAL POINTS SUCH AS:

Libel.

Blackmail.

Fraud.

Follow debtors closely through your solicitors.

CHART XI When your debtor stubbornly balks at payment and ordinary methods fail to move him try co-operation and the law. The chart indicates methods successfully used in bringing reluctant delinquents to time

to get under shelter before the storm breaks. One or the other point—raising or lowering the man's proposition—seldom fails to win.

"It has been my experience that business men generally have got into a rut regarding credits and collections. The fear of losing customers to competitors is usually the bugbear which keeps them there," says a successful wholesaler.

"Fully seventy per cent. of all the business done in our business is on credit. At the close of the year's business we formerly had fifty per cent. or more of our annual sales on our books—accounts unpaid. We were borrowing money occasionally from the bank to discount our bills. It formerly seemed to me that the main thought in the customer's mind was first to see how cheaply he could buy from us, and then how long he could make us wait for our money.

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"Several years' hard work at reorganising my credit system found me at the end in the same old hole—half my business and certainly all of my profits still on the books. Then and there I decided that I would put my business on a satisfactory basis so far as accounts receivable were concerned, or 'bust.'

"I studied the subject pro and con for many months. I wanted a system which would not only be absolutely fair to the customer but would offer him advantages by actually saving money on his purchases, and I secured it.

"Shortly after I decided on my plan everyone on my mailing list received the following letter, which explains our system. We also advertised our new terms in the newspapers, and published a pamphlet on 'Spot Cash and Its Advantages.' Here is the letter:

After January first this business will be conducted on a cash basis. You will get the benefit of the change.

We are aware of the fact that the general public does not realise how important it is to the buyer, how advantageous it is, to buy for cash. We know this because so few have taken advantage of our regular cash discounts.

We want to make it clear to you that you do reap a real benefit, and the purpose of this letter is to explain how.

First, get it firmly in your mind that when you pay cash you get the benefit—in a cash discount, and in cheaper prices—all cash in hand—money that you would not have otherwise.

In operating our business on a cash basis, we have two distinct propositions to make to you—business propositions that will pay you interest on every penny you spend with us.

Cash Offer No 1.

After January 1st we will give you a discount of four per cent. on all payments made to us in advance on estimates, or on accounts for material which we furnish.

There is money for you in this cash offer.

There is so much actual profit in it for you that you can make money by borrowing money at the bank and paying six per cent, just to have the cash in hand to get this four per cent discount, because—four per cent discount is the same as forty-eight per cent interest for one year.

Cash Offer No 2

Our second proposition is to allow two per cent. on all fifteen-day bills paid the 15th of the month. That is, you may purchase

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material from the 1st to the 15th, and then make full payment and get the two per cent discount. This applies also to material purchased from the 15th to the 30th, if paid on the 30th, you can get the two per cent. discount.

Two per cent. cash discount is equal to twenty-four per cent. interest for one year.

When all is said and done, the best that can be said of credit is that it is convenient. It is a business proverb that the man with the cash buys the cheapest. Davis quality, Davis prices and Davis service are known to you as good, honest, fair and helpful—with this change to a strictly cash basis you will be more than ever glad to trade with us, and pleased with our goods and our service.

Do a little figuring for yourself. Whether you are a big buyer or a little buyer, the facts and figures given above show you a real genuine, cash-in-hand saving here.

Let us add that while we do not intend to curtail or refuse credit in the future, to the deserving, we must and will insist upon a different procedure in settling open accounts. We must settle our accounts within thirty days, or at the most, sixty days. We shall ask the same settlements from our credit customers. That is, all accounts are net, or due in sixty days, and must be settled either by cash or "bankable" paper, at a rate of interest that will be accepted by the bank.

While we adhere strictly to the foregoing, we wish to give you our cordial assurance that any courtesies we can extend you will be cheerfully accorded in the future as in the past.

"On the back of this letter I printed an illustration of a bank labelled 'your bank,' and one of our building labelled 'our business.' Under the former I printed: 'Your bank will loan you money at six per cent. interest,' and under the latter: 'We will gladly pay you twenty-four per cent. on this borrowed money.'

"Between these I printed the following:

BORROW MONEY AT SIX PER CENT.—LOAN IT AT TWENTY-FOUR PER CENT.—NOTHING TO LOSE—EVERYTHING TO GAIN. YOU CAN GET INTO THE MONEY-LOANING CLASS WITH YOUR FIRST CASH PURCHASE FROM US. THE LETTER ON THE OTHER SIDE OF THIS SHEET EXPLAINS FULLY THE ADVANTAGES TO YOU OF OUR CASH SYSTEM WHICH WENT INTO EFFECT ON JANUARY FIRST.

"We did not start out with the idea of placing our business on a strictly cash basis. We were determined

to better existing conditions through a plan which we believed would bring us in more cash each month, and would do away, in part, with our extensive credit business. But as a matter of fact we soon did not have to trouble with any credit business at all! ”

CHAPTER XI

HOW FAR CAN I LEGALLY PUSH COLLECTIONS?

ROUSED by a debtor's pert insolence, a collector wrote the man's guarantor a sympathetic account of his behaviour and added a blustering opinion of his conduct. The delinquent got hold of the letter. His lawyer brought the collector into court on charges of libel and blackmail, and the firm was glad to send a receipt in full to avoid further trouble.

The correspondent who wrote the letter had always understood blackmail as the extortion of money for the promise of silence about a disgraceful secret. Libel he considered to be false statements which injured the reputation of a man. But he found blackmail to be "extortion by intimidation; especially extortion of money by threats or accusation." Libel, he learned, is "any statement published without just cause or excuse, expressed either in print or in writing, tending to expose another to public hatred, contempt or ridicule." The fact that his remarks about his debtor were true, or that he believed them to be true, did not alter the case. He had committed libel and could have been punished severely had the case not been settled out of court. The lesson, though a hard one, made him careful of the points of law which infringe on collection problems.

Libel and blackmail, however, are not the only pitfalls for the unwary. Fraud is a trap for the careless correspondent. Apparently unimportant points in the wording of a contract may get him into trouble. To be safe, the experienced credit man keeps exactly posted on postal regulations and legal rulings.

The postal laws have been enacted to prevent the use of the mails as an instrument of fraud, to protect the

public in their right of reputation and of property, and to secure generally a higher standard of morality. The question which puzzles the average correspondent is what language or style of display the courts consider as falling within the condemnation of the statutes.

Little Points of Post Office Ruling that the Correspondent may Unwittingly Violate

Where a creditor wrote on a post card, "*I can see very plainly that you do not intend to pay any attention to my letters or your agreements. I propose to get the balance due on that claim I shall wait no longer, but will see what can be done,*" the court held that the writer intended to reflect on the character of the debtor. The words accusing the debtor of not paying any attention to his agreements were defamatory in nature, and the sender was liable to the postal law. In another case, the writer concluded a post card message with these words. "*I will garnishee and foreclose, but I dislike to do this, if you will only be half decent*" Had the writer of the card omitted the last clause, he would have been free from the penalties of the law, for the court intimated that a request to pay, accompanied by the statement that the creditor intended to foreclose, might not be of such a character as to render the post card unmailable; but the last sentence was clearly intended to reflect upon the character of the debtor, and the writing was illegal.

On the other hand, the following language which was written on a post card was held not to be illegal. "*Why do I not hear from you? I see plainly I shall have to press this matter I must hear from you by Wednesday night. I shall wait no longer.*" Obviously, the words used may relate to an account, but at the same time they may relate to something else. Moreover, the wording is such that the character of the receiver is not attacked and

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there is no publication of his delinquency to the world.

The opinion of a lawyer on the postal laws is to this effect : That a simple request by post card to pay is not illegal. The illegality occurs only when the language is libellous, scurrilous, defamatory or threatening, or when by its terms or style of display it is written to reflect injuriously upon the character or conduct of another. It follows, therefore, that an account may be rendered on a post card. A simple request for payment may be made, together with a statement of any conditions such as discount or time. Statements on cards, asking for payment on or before a certain day and indicating the discounts, if there be any, are proper, but it would be bad policy and of doubtful legality to accompany the statement with a threat that the account would be placed in the hands of a solicitor or professional collector if not paid on a certain day.

Furthermore, any remark on an envelope which indicates the character of the letter and shows that the debtor is being punished is as illegal as if the fact were stated on a post card. The only difference is that the card accomplishes the purpose by actual written notice, whereas the envelope accomplishes the same purpose indirectly.

Common intelligence and a sense of business propriety usually prevent a collection manager from violating the law. The law is merely the state's method of enforcing what it considers common justice and a due regard for the rights of others.

To Make Collections Certain, Instruct Salesmen and Make Contracts Read Right

Legal precautions in collecting are generally begun when contracts are drawn. Sales managers at this point clear the way for the collector by avoiding prospects

immune in case of dispute. Sailors and soldiers are sometimes refused goods on instalments, as the government will not aid collection efforts, and discharges and transfers make it hard to follow men in these services.

Other simple precautions which must be taken when drawing up a contract include saving clauses such as "goods remain the property of the seller until final payment is made," and "lapse of two payments makes all other payments immediately due." The latter clause protects the creditor who, forced to sue to get a first payment for goods, could otherwise be forced into court on each succeeding payment.

Salesmen sometimes misrepresent. The contract, therefore, should bear the statement that "no verbal agreements will be accepted by the company unless noted on the face of the contract." Very often the statement "this order is not subject to cancellation" is printed prominently on the contract.

While no contract of any importance should be drawn without the advice of a solicitor, the most successful selling contracts are worded in language so simple that it is easily understood by the laymen. Most men read a contract before signing it, and the ordinary man is far more ready to sign a simply written agreement than he is to put his name to a ponderous legal form which he scarcely understands.

CHAPTER XII

HOW CREDITORS WORK TOGETHER

WHOLESALEERS co-operate through the use of the mercantile agencies to head off bad pay dealers. Large organisations also have salesmen, correspondents and systems of exchanging information which keep up credit standards. When the big companies are caught, they combine as a matter of course and put their accounts in the hand of one agent, appoint a receiver or conduct forced sales. Similarly, many houses have sufficient organisation to secure an accurate line on the credit standing of the people they "trust." Mutual jealousies have made it difficult for retailers to develop along this line until the pressure of competition has driven home the elementary lesson that sticks easily broken one by one stand the strain when tied in a bundle.

A local association to furnish merchants with information similar to the wholesalers' commercial agency service can easily be organised. The subscription required is low and is merely sufficient to maintain a secretary and office organisation. Such associations investigate the exact responsibility of every one of the buying population of a town, and, when possible, co-operate with merchants in nearby towns in order to obtain information concerning new residents. Every member pledges himself, on joining, to extend credit to no one on the delinquent account of the organisation.

In addition to providing credit information, one retailers' organisation collects "hopeless" accounts for members. Three form letters are used, and no other attempt is made to get money due. Credit information secured through these collection efforts is furnished members in the supplemental reports. The first letter

is mailed by the retailer after all regular collecting schemes have failed. Failing to get a reply, he turns the account over to the association.

*How Small Retailers Combine to Keep Bad
Pay Accounts Off the Books*

The secretary writes two form letters, and dispatches them ten days apart. The burden of their argument is the credit-killing power that lies in the association and the result of loss of credit. The letters generally secure an interview. If the bill is an unjust one, or if a just complaint is made by the customer, the matter is settled to the satisfaction of buyer and seller by the secretary.

There are many co-operative schemes in operation by local traders in different parts of the country having for their object the gentle but firm persuasion of retail customers to pay up in reasonable time, and avoid bad debts becoming too common.

The simplest of these schemes is founded in a "gentlemen's agreement" between non-competing retailers to exchange information by telephone or personally regarding slow payers whom any one of the agreeing parties comes up against.

But a scheme which has just been tried is far more ambitious and has proved effective.

It is a scheme by which no one can lose anything, and to which most of the delinquent debtors are glad to subscribe. Started with a comparatively small capital in 1926 by some twenty local retailers, it takes the form of a loan company.

Under the plan, a customer who has got behind with his accounts with the retailers can go to the company, secure a loan of the proper amount, and get all his debts rolled into one. The company then pays each creditor his part and the borrower makes his payments to the loan company after that.

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When it becomes evident to a retailer that a debtor has got so far behind with his accounts that he may not be able to pay up, he is advised to apply to the company for a solution of his difficulties. This is the only advertising that the company gets.

When the customer applies for a loan, necessary information is secured through an application which the applicant is required to fill in. Detailed inquiry is made into the amount and character of his debts. If his statements show that he has been buying heavily of non-essentials, this will weigh against him when his application is being considered, as it is the object of the company to assist those who merit assistance and not those

CO-OPERATE WITH OTHER CREDITORS BY

EXCHANGING INFORMATION ABOUT DEBTORS IN ORDER TO:

Fix amount of credit.
Thwart attempts to defraud.

COMBINING TO WITHHOLD CREDIT IN ORDER TO:

Check extravagance.
Force delinquents to pay up.

CONSOLIDATING BAD ACCOUNTS IN ORDER TO:

Conduct forced sales.
Arrange voluntary liquidation.

CHART XII. Co-operation prevents bad debts and is a powerful lever in moving a delinquent to payment. It is the most useful tool of the collector and is the mainstay of the credit department.

who voluntarily dissipate their credit by buying non-essentials.

The amount of the loan is always the amount the applicant owes to local retailers, or, it may be in some cases, wholesalers. It is frankly explained to the borrower that interest at the rate of $6\frac{1}{2}$ per cent. will be added to the loan to cover expenses. All of the loans are made for one year. Payments are made weekly, fortnightly, or monthly, according to agreement.

In addition to his own signature, the borrower is asked

HOW CREDITORS WORK TOGETHER 113

to get two signatures of responsible persons as evidence of character and standing. The note also carries the

Dear Sir,

We have had placed in our hands for Collection the account of Watts and Co. amounting to £10.

Your failure to pay the same we presume has been caused more by neglect than from any intention not to pay or of keeping the money from the creditor. We have concluded to ask you to call within ten (10) days and arrange for some settlement.

We are sure you will appreciate the Association writing you and giving you this further opportunity for adjustment.

Yours truly,

P S.—Our members are advised of the exact behaviour of parties having accounts on file herein by means of our report which is issued to them monthly.

Dear Sir,

We have given you ample time and every opportunity to arrange for some adjustment of the account filed against you in this department in favour of Watts and Co amounting to £10 and as you have made no effort to do so we beg to advise you that we shall now resort to more definite action

Our Collection Department keeps a record of the names of all persons who fail to adjust their accounts This is published for the protection of other traders in the town and keeps them from incurring similar indebtedness

Any person who happens to appear upon our records in this manner will find it not only annoying, but very difficult to obtain credit to any extent, and such information will act as a cloud upon their reputation for honest and fair dealing with their creditors.

Yours truly,

Before turning accounts over to a retailers' association, the dealers in one town warn the debtor of their proposed action by means of a form letter supplied by the organisation If the warning fails, the secretary sends these letters ten days apart He then hands the account to a solicitor

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signatures of representatives of every firm to which money is owed and which participate in the loan. The retailers themselves thus guarantee to the company that, failing the collection of the debt, they will be responsible for the amount, limited severely, of course, to the figure for which they have supplied the goods.

From the standpoint of the retailers, this is about as good an example of mutual self-help as could be discovered.

But the thing that makes the scheme workable is that a debtor normally takes an agreement seriously, and will pay if at all possible, while he is sometimes inclined to let an open account with the retailers go until it is convenient to pay. Experience has shown that about 98 per cent. of the persons signing pay promptly according to agreement. This is not because the company is harsh. When there is any reasonable excuse for skipping a payment leniency is freely extended.

Convincing Figures of the Scheme's Success

For the first five months of its existence the company granted 39 per cent. of the money applied for and to 36 per cent. of the applicants. In the second year it granted 44 per cent. of the money applied for to 39 per cent. of the applicants. Not one penny loaned has been lost. In fact, the company has paid all operating expenses and has declared a dividend.

Each borrower is requested (but it is not compulsory) to take out an insurance policy on his life for the term of the loan. These policies cost the borrower a small percentage of the money borrowed, and in the event of death the insurance company pays off the loan.

Workable at any time, the plan is especially serviceable in these days of instalment buying.

It would need adapting to meet the special needs of any particular locality, of course. But this should not be difficult, given the goodwill of a sufficient number of local traders to make the scheme workable. The tendency to-day is all towards mutual self-help.

Part IV

HOW TO KEEP YOUR LISTS AND RECORDS

Keep Down the Burden

FALSE steps in selling, in credit extensions and in collecting are an extra burden on the collection balance. Successful collection is rooted far back in sound credit methods and honest salesmanship.

Find the straight line—keep down the weight—organise your credits and collections.

Seek satisfaction. Grade your credit risks.

Then keep up the dates you make with delinquents—teach the debtor that you keep your collection promises.

Make the man whose account is in your collection file feel that his card moves up a notch every day—that his name is on your desk pad at the proper date, for your personal follow-up.

Show him that your thought focuses on him every time his account becomes due. Train him to keep step. Make him measure himself by your accuracy.

Make him pay by the clock dial of your reminders.

Collect by plan and schedule. Don't add and carry losses. *Keep down the burden.*

CHAPTER XIII

HOW CREDIT RECORDS HOLD DOWN BAD ACCOUNTS

CREDIT and collection records will reduce bad debts to a minimum and keep bad pay orders off your books. While methods of keeping lists vary according to facts which require emphasis in any particular business, whether retail, professional, public utility, instalment or manufacturing and wholesaling, the general principles underlying record keeping are the same. Make your files show in every case :

1. The business and social record of the prospect who applies for credit.
2. A condensed record of the customer's business relations with the firm.

Your first file, in greater or less detail, outlines the customer's ability, responsibility, morals and social standing as judged by his neighbours, by banks, by commercial agencies, and as noted by personal observation or by your special investigators. The second record shows amount of sales, habits of payment, past credit records, apparent increase or decrease of customer's business, activity of competitors ; in fact, all information on which the banker or credit man bases judgment in passing on any application for a loan or for credit.

The shopkeeper, as a general rule, knows his customers personally or depends upon his observation by neighbours and clerks to keep him posted on the buyer's affairs. Because accounts in the shop are generally small, and because customers are as a rule unacquainted with business ways, you will care to do very little direct questioning of the applicant. If your preliminary questions develop the fact that the prospect is a property

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owner, or otherwise ought to be able to pay, ask for one or two references—the best are names of other shops with which he deals—and let him go.

Lay the greatest emphasis on the buying record of your customer. Watching it will develop pertinent credit facts which you will need to know. The retail credit man has learned to depend upon a record of goods bought and the method of payment as a final check in raising the credit limit or closing an account. Week by week figures trace the buyer's financial health.

How the Instalment House Credit Man Fixes Upon the Worth of a Prospective Customer

Instalment men practically reverse the methods of the retailer in keeping credit records. Where the retail dealer takes people on trust and then watches their shopping transactions to get a measure of their worth, the instalment man makes a final estimate of a prospect before goods are delivered.

He deals largely with the improvident. He usually operates over wide areas. Unable to keep in personal touch with his people, he makes a searching first investigation of character and worth of the applicant. Later the size of a regular customer's account and an increase of credit depends solely upon the record of payments. The collection man takes one plunge and learns all that he can from his experience.

Lead the instalment prospect to buy when he enters the showroom. Wait until after his order is taken before bringing up the question of credit. Then your salesman may put the questions printed on the back of the sales slip (Form 1). Before your customer gets the goods, rigidly check the references he gives and the statements he makes.

When credit is decided on, make up an account card

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CONFIDENTIAL

Name in full (not initials)

Husband William Smithson

Wife Eleanor Ford Smithson

Present Address 21, Gossell Ave, Bedford

Has lived there Six years four months

Previous address 14, South St, Bedford

Lived there Seven years — months

Married or Single Married Age (about) 42

(If single) Living at home or boarding —

Where employed: Firm Record Publishing Co.

Address 12, Well St. Bedford

What Position Manager How long 10 years

Former employer: Firm Hospital Press Ltd.

Address 30, Red Lane, Luton

Relatives: Name John Smithson (brother)

Address 38, Terry St. Luton

Name Oscar Thompson (brother-in-law)

Address 3, King's Road, Luton

Bought on Monthly Payments before? No

From whom: Firm —

Address —

References: Name Charles Gordon

Address 60, Ruby St. Bedford

Name John Williams

Address 38, Harper St. Luton

No. 78,686 Date 14th Oct Monthly

Price £68 1st Payment £7 £8

REMARKS Steady and conservative.

Good salary. Reported and checked 10th Oct.

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(Form 2) for the customer. This gives you an absolute guide to your buyer and is all you need to consult when a re-order is made. Only the customer who pays his bills is good. If he does not show up as good payer, deny him further credit, unless the card shows that some extraordinary circumstances prevented him keeping the contract he signed.

[illegible]

FORM 2 Prompt payments fix the credit of the instalment customer. This ledger card, easily accessible, tells its story to the collection manager.

To allow the transaction of credit business with the deft sureness and mathematical certainty that prevents accumulation of bad debts requires the choice, record and study of significant facts. In the measure that you train yourself to choose vital facts and read them clearly will your records be brief and helpful.

Systematic arrangement of information about customers is essential for the credit man who handles a large number of accounts, if he is to pass on each order quickly. To keep the files clear of dead material, and show him at a glance the latest report on the financial condition of any customer, the credit man for a Midland manufacturer has devised a "safety first" folder.

Each flap of the folder has a tab punched with holes in which paper fasteners can be inserted. Papers which

HOW RECORDS HOLD DOWN BAD ACCOUNTS 121

it is essential to keep permanently are attached to the left flap. Ordinary papers, such as requests for payment and adjustment letters are attached to the other flap, and are destroyed as a unit at the end of six months.

Every customer is allotted one folder. His name and address are written on the face in the space designated. Spaces are left below to show the credit limit which has been set for the customer, the estimated amount of his annual business, the bank or banks through which he deals, and whether or not he will pay sight drafts drawn on him.

The three columns under the word "statement" are filled in anew at the first of each month, and they indicate the exact condition of the customer's account. They show the total of bills falling due, as well as of bills that should already have been paid, and the sum of both columns represents the total of the statement sent to the customer. The credit man thus has before him on the face of the folder itself enough information to pass or reject most orders. For special cases further information is filed inside the folder.

"We have found that our ability to make satisfactory collections depends largely on our knowledge of conditions among all our customers. Therefore we have records and statistics that tell us exact conditions in each and every one of our territories," says the credit manager of a big company. "The methods used in our collection work can be adapted to almost any business.

"We sell nationally, on instalments, and have both 'open' and 'secured' accounts. We have numerous branches, which are permitted to handle collections up to a certain point. All accounts are referred to the main office as soon as they become thirty days overdue.

"The record that shows us most clearly of all the general condition of our collections is a graph. It gives

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us a month-to-month picture of three classes of facts that are important for us to know. These facts are shown by lines of various colours on the graph, as follows :

(1) The percentage of sales-ledger cash collected, to the balance remaining on the books (that is, the total amount of money collected in the regular course of business on ' open ' accounts) ;

(2) The percentage of accounts thirty days overdue, to the total sales-ledger balance outstanding ;

(3) The percentage of delinquent accounts receivable (' secured ' accounts) to the total amount of accounts receivable outstanding.

*This Graph Shows up our Weak Spots and
Indicates Needed Effort*

" As I stated, these figures are worked out for us in the form of a graph, so that at the end of each month we know exactly how our results for the present year compare with the results secured in previous years.

" We can tell where the weak spots are, and we know in what directions we need to put our greatest efforts toward collections. Naturally, also, the graph is interesting and helpful to us in our credit work.

" Even more important, from the point of view of credits, however, is the tabulation of collection statistics by branches. It is sufficiently large to contain the record at each branch for a period of five years. The balance due and uncollected at the first of the month is shown ; next comes the figure showing the amount and percentage of this uncollected balance that is secured by the collection department during the month.

" This record also shows the amount of money that is thirty days overdue, and the relation—in percentage form—that this figure bears to the total amount out-

HOW RECORDS HOLD DOWN BAD ACCOUNTS 123

standing. Finally, we tabulate the total number of accounts, and those that are thirty and ninety days overdue.

How We Check up Localities Where the Credit Situation is Difficult

"This record is kept for each month of the year. Figures showing a condition worse than that of the same month for the previous year, are entered in red, so the sore spots become evident at once. Our credit work is also greatly helped by these figures, because we are doubly careful in passing accounts in any locality where collections are proving difficult.

"Another simple record which we keep is along much the same line, and has been very helpful. This record is kept by branches and counties. Territories are allotted to our branches along county lines, so it is easy to keep the figures in this way.

"We show, first of all, the total amount of money outstanding at each branch and in each county; then the amount that is delinquent in each case; and, finally, the relation of this figure to the total amount outstanding. These figures, it is easily understood, are helpful in credit making in the same way as the record described above. They are also indicative of where it is necessary for us to exert ourselves most in making collections.

"More records would only confuse us. We have, in fact, tried having several different kinds of statistics drawn up, beyond those I have described; but we have found that money may easily be spent in this way which does not show returns. So we have finally found it best to confine ourselves to these."

CHAPTER XIV

MAKING COLLECTION ROUTINE AUTOMATIC

PROMPTNESS—Accuracy—Regularity—the three words printed on white cards, and occupying prominent places on the walls of the credit department, contain the essentials of the collection system of one wholesale house.

The concern has little trouble with bad debts. Method, perfected after years of experimenting, has reduced collection routine to automatic system. Reminders and corrections for merely careless and stupid debtors are standardised and the time ordinarily spent upon them is devoted to handling accounts which are shaping towards serious losses. The credit man, relieved of detail, busies himself with schemes which will bring the department up to a point of greater all-round efficiency. The system rests on these principles of collection :

1. Automatic regularity in following delinquent debtors.
2. Close co-operation between bookkeeper, cashier and collector.

An invoice is first enclosed with the notice of delivery. On the first day of the following month, unless other terms of sale have been agreed to, a statement is posted. Thirty days later a second statement is sent out with the conventional "overdue" stamp upon it. If the debtor is not heard from in fifteen days, the book-keeper marks the ledger page with a red clip showing that the amount is in collection. He then fills out a card (Form 8), with the name and address of debtor and a statement of the account, including any information which will assist the collector in obtaining settlement. The credit man on his part keeps the book-keeper posted as to collection

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methods. A green marker on the ledger pages show that the debtor is in the bad paying class, while a black marker shows that the account is precarious and final efforts to secure payment are being made.

The collector in using the cards follows the debtor at regular intervals of fifteen days. A check mark in the blank space below the number at the top of the card shows when the second letter is to be written. The card is kept in a file numbered with the days of the month, and every morning the office-boy picks out the cards of the day and places them on the collection man's desk. As each collection letter goes forward a condensed statement of its contents is noted in the lines marked "in action" and the debtor's replies are "boiled down" in the same way.

Before the new system was adopted, debtors were angered at receiving duns after having paid. To avoid this error, a summary of the ledger account was placed on the card. The book-keeper in making out the card shows in the top line the date and the balance due. When remittances are received, the cashier enters them on the credit column before turning money over to the book-keeper. In this way collection efforts are instantly stopped on receipt of remittance.

Copies of letters and replies are filed in an envelope (Form 4) for detailed study when desired. The top

	3	5	7	9	11	13	15	17	19	21	23	25	27	29	31																								
TOWN																																							
NAME	SUCCESSION										BRANCH			FILE																									
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JAN	FEB	MAR	APR	MAY	JUNE	JUL	AUG	SEPT	OCT	NOV	DEC																												

FORM 4 Quick reference to correspondence is necessary in handling accounts.
Envelopes with double tacklers save footsteps

MAKING COLLECTION ROUTINE AUTOMATIC 127

line of dates refers to the live files, and as long as dates are checked in the top row of squares the correspondence is kept in the office.

FOLIO		LIMIT	DATE	MONTH		AMOUNT
NAME						
RESIDENCE						
BUSINESS						
ADDRESS						
PHONE		LETTER	COLLECTOR	FORWARD		

FORM 5 Retail cards carry in addition to a statement of debts, three ways of showing an account in action

When an account becomes dead for any reason the filing clerk notes in the bottom row the date of removing correspondence to the dead files. Correspondence that has not been handled in one year is removed. Year and month are noted in the proper square and the papers are sent to storage, where they remain five years before being destroyed.

A retailer who uses a similar system when making postal collections, except that in order to keep a tight rein on delinquents, he sends a second statement on the 15th of the month succeeding date of sale. As telephone and street collector supplement postal efforts, the retailer uses a card (Form 5) which has columns showing the methods of collection efforts.

When the account is placed in the hands of a street collector, a special card is made out. This carries a statement of the account on its face. The reverse side is for brief reports by the collector. When the account is first placed in the collector's hands, he gets a white

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card. When the debt gets old, the white card is replaced by a red one as a signal to "go the limit."

A small wholesaler improved on his follow-up system by using a vertical correspondence file with alphabetical guides. When he puts away the correspondence about a case he files it behind the proper guide and numbers it in blue pencil on the upper left-hand corner according to the order in which it is filed. If the Jones Mercantile Company is to be written on March 16th, and there are already ten lots of correspondence in the "J" section of the file, he numbers the Jones Mercantile lot "11," and on the March 16th leaf of the calendar pad jots down "J11."

Some instalment houses successfully use duplicate statements as collection records. These are filed, to

KEEP THIS CARD		
Memorandum of Account		
Account No.	<u>7652</u>	
Total amount of Contract	<u>\$5-50</u>	
Amount paid	<u>1-10-0</u>	
Balance	<u>3-15-0.</u>	
Due on the first		
day of each month	<u>10-0.</u>	
Keep your record of payments here.		
Date paid	Amount paid	Balance
<u>Feb. 1.</u>	<u>10-0</u>	<u>4-15-0</u>
<u>March 1.</u>	<u>10-0.</u>	<u>4-5-0.</u>

FORM 6 Cards sent to instalment purchasers are ready reminders and allow him to check his payments and prevent disputes

MAKING COLLECTION ROUTINE AUTOMATIC 129

As our low prices and easy payment plan depend upon regularity in collection methods, we have arranged for your convenience this Memorandum of Account card

We believe that you would prefer NOT to be annoyed each month with even the simplest kind of a reminder regarding small payments of this kind

It is therefore suggested that you keep this card in a place convenient for reference which will obviate the possibility of payment being overlooked when due

Yours very truly,

FORM 7 The back of Form 6 carries this notice of the instalment payment plan

appear a few days before the date on which the debtor has agreed to pay. As a result, the debtor gets a gentle reminder at the time the bill is due. When he falls into the bad pay class the triplicate statements, which are made up similar to the wholesale card, are filed in a special drawer and the collector proceeds by post according to the system used by wholesale houses. When debtors can be reached by street men or telephone, the system adopted by retailers is used.

*The Merits of this Plan have been
Proved*

"Collections have been reduced to a standard routine in my office," says a Midland business man. "Detailed instructions are now written out for the guidance of all employees concerned in handling the accounts, and the files have been thoroughly reorganised. Now, accounts are paid more promptly and I am able at all times to know the exact status of overdue accounts, their amount, and the stage they have reached in the process of collection."

"My business outgrew the one-man stage several years ago, and in the wake of expansion came an in-

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crease in the amount of outstanding book accounts that was much more rapid than the increase in turnover seemed to necessitate.

"I made an earnest effort to cope with the situation, but my own time was fully occupied with current work, and with no fixed routine to follow, employees were lax in handling delinquents.

"The evils of this poor organisation were quickly apparent in the rapid increase in outstanding accounts. Customers soon made it a habit to take as long credit as they chose ; in fact, the situation grew so acute that complete reorganisation finally became imperative.

A Standard of Credit is fixed and Collection Based on it

"The general principle behind my reorganised plan is this : Each account that is more than a certain number of weeks old—a period which is called the standard of credit—is reported to the collection department, and for that purpose is entered upon a special card and filed alphabetically.

"A second card is prepared, showing the name of the debtor and the date when his obligation was incurred. This memorandum card is filed in a separate drawer, behind a guide card showing the day of the month when the case should next be brought up for attention.

"There is still another set of drawers, which completes the filing system. In these last drawers, complete information on specific cases is kept. This file grows with each new overdue account, and gradually comes to form a useful record of all debtors who have given the concern trouble about collections. It also becomes an invaluable source of information for the credit man.

"This office mechanism is supplemented by two sets of instructions issued for the office workers. One is writ-

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ten for the collection department, and the other for the ledger clerks. Instructions for the guidance of the collection department are as follows :

“(1) Each ledger clerk, when reporting an old debt to this department, will furnish a statement and will enter particulars upon a card, which will be filed alphabetically. A note will be made in pencil in the debtor's ledger account to the effect that the debt is in the hands of the collection manager. A second card will also be written out bearing the debtor's name and the date when the debt was incurred ; this will be placed in the diary drawer in the division for the current day. When any sum is received on account, the amount must be written on the debtor's alphabetical card by the ledger clerk.

Each Case Automatically Comes Up for Attention When Due

“This makes it necessary for the collection department to deal each day only with those debtors whose memoranda are on the cards in the divisions in the second drawer referring to that day.

“As each case is dealt with, a note to the effect is made in ink on the card in the first drawer, and the date when the next application for payment should be made is also entered in ink. The memorandum card is then placed forward under the proper day in the follow-up file.

“(2) When from any pressure of work any card in the follow-up file cannot be dealt with on the proper day, it must be put ahead to the next. Under no circumstances may it be put forward more than one day.

“(3) Monthly statements of debts that have been turned over to the collection department are made out and handed to the collection manager. When he receives his statements, he should at once look through the card

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cabinet to find the records corresponding with his statements; and he should dictate suitable letters to the various debtors, or mark upon each statement in pencil the number of one of the series of letters used in soliciting payments. The statements should then be handed to a typist for copying. At the same time, particulars of the letter written to the debtor must be noted on the printed card, and the memorandum card in turn must be placed in the proper division to come up when the case is next to be attended to.

"The typist should look at the diary drawer each morning, write all letters not requiring special attention and put them before the collection manager to sign.

What Happens When a Debt is Written off as Bad

"(4) When a debt is finally written off as irrecoverable, the card must be numbered and particulars entered in the bad debts register, in which will also be noted the authority from the audit department giving permission for writing the debt off. All correspondence connected with the collection is kept in alphabetical order in letter files separate from the general files. When a collection is made or the account written off, the correspondence on the account is fastened together, numbered to correspond with the bad debts register, and filed for audit and credit purposes. The card covering the case is filed 'dead' in a drawer reserved for complete cases.

"(5) Unless there are specially written instructions to the contrary, given by the manager, the time between each effort at collection must not exceed two weeks.

"Instructions issued for the benefit of the ledger clerks are copied in the ledgers. They are as follows:

"(1) No debts are to be reported to the collection manager verbally.

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"(2) When any debt becomes overdue, the word 'collection' is to be written in pencil in the ledger, close under the items overdue. At the same time, two cards are to be written out—a printed card bearing full particulars, and a plain one bearing the name of the debtor and the date when the debt originated. The printed card is to be placed by the ledger clerk in the alphabetical file. The second card is to be clipped to a statement and sent to the collection department.

"(3) When any debtor whose account has been turned over to this department remits, the ledger clerk must at once note on the card, in the results column, the date and the amount paid; and he must also erase the word 'collection' from the ledger page.

"(4) Monthly statements for those debtors' accounts marked 'collection' are to be handed to the collection manager for immediate attention.

This Plan Makes Complete Control and Avoids Burden

"This system makes it possible for me to maintain complete control of the collection machinery without bearing the burden of the many details incident to it. My sources of control are:

"(1) The alphabetical list of debtors, from which I can find out if there is much difference between the column for the intended date of the next letter and the actual date when the letter itself was written;

"(2) The follow-up or 'diary' file, from which it is possible for me to see at a single glance approximately how many cards are unattended to, and what proportion of debts have proved to be slow in collection or are particularly old;

"(3) The ledger in which all old accounts are always marked 'collection.'

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“Complete lists of debts which have exceeded the standard of credit, sent in twice each year by my branch offices, make it a simple matter for the home office to control collections in branch offices as well as at home. The lists are prepared by junior clerks, who go straight through the alphabetical file and extract all details required for the report, on the day following the close of each half-year.

“A few days later, I prepare a list of all old debts in regard to which special instructions are to be given the branch managers. Sometimes application for payment is made direct from my office, if that method seems likely to bring in the money.”

This Unit System Saves Work and is Simple

For another company the addressing machine clerk makes out a stencil for each customer who has an account with them. This stencil bears (1) the customer's name and address, (2) the number of his account as determined by the sales register, (3) the due-date for each payment, and (4) the day of the week his account will receive attention in his unit. For example :

(2) 19999	Mr. John Smith (1)
(3) 9-M (4)	21a, High Street, Longtown.

The stencils are classified in the active file by months and then by dates, and accounts becoming due on the first, tenth, and fifteenth are further divided alphabetically.

The plates in the overdue file are classified as to units. All numbers ending in 1 and 2 fall in the first unit, 3 and 4 in the second, 5 and 6 in the third, 7 and 8 in the fourth, and 9 and 0 in the fifth. This arrangement replaces the

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monthly classification but, apart from this, accounts are filed the same way

The stencils are moved along in the file according to each day's cash receipts, and the unit clerks write before each item the due-date of the account and the month the payment covers. The addressing section then moves the stencils forward.

All accounts paid in full are filed for the advertising department. Each day the statements are run according to a schedule. The bills are sorted by the day the notice is to receive attention—thus, a 3-day overdue may receive a notice anywhere from 3 to 10 days after payment has become due, according to the day for which it was scheduled, Saturdays omitted.

For example, one month all numbers ending in 1 or 6 will be allotted attention on Monday, 2 and 7 on Tuesday, 3 and 8 on Wednesday, 4 and 9 on Thursday, 5 and 0 on Friday. This method brings a more even division of labour throughout the week.

All subsequent statements are handled in the same way. They include :

1. Second notice—envelope or form letter ;
2. Third notice, posted nine to three days before the account is one month overdue ;
3. Two form letters ;
4. Fourth notice, just previous to the third due payment ;
5. Definitely overdue file—letter follow-up repeated until settlement.

Briefly, the addressing-machine clerks provide "ticklers" for the unit clerks to post notices to certain customers each day.

The purpose of routine collecting is in its last analysis that of keeping a steady hand on delinquents. Like the

horseman who keeps a constant, friendly grip on the reins, the creditor must exert an even, firm pressure on the delinquent. An experienced driver allows the colt to prance a bit when in the driver's judgment it is necessary, but he never uses the whip unless the animal is inclined to be unruly.

So treat the delinquent debtor. Humour him often, but never allow him to go back. Arrange your system to hold him constantly to your purpose—paying up. Save your personality to manage hard prospects and untie the hard knots of collection.

The collection of overdue accounts is a side of every business which needs very careful handling and tact, and the cashier of any large business who is responsible for this must use the utmost discretion in dealing with them, or he will be constantly incurring the displeasure of either employer, customer, or the travellers, for he must neither lose accounts nor make bad debts.

*There are Three Ways to Look at an Overdue
Account*

At the outset the cashier must always strive to see the position not simply from the customer's and traveller's point of view, but from his employer's. The latter, in these days of high interest, cannot afford to have large amounts locked up in overdue accounts, even when the customers are sound financially.

Customers too often think they should not pay until they have themselves been paid, and the travellers, whose chief business it is to get orders, do not like their customers written to, and are often too ready to ask that certain overdue accounts be "let stand a little longer as they are quite sound."

From time to time many excellent methods of dealing with overdue accounts have been published, and the

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following method used in one business may be useful to others.

To start at the beginning, all accounts in the ledger should be classified. This is done after consulting the references given when opening the account or from reference to reports obtained from the mercantile offices. Five classes are necessary as under :

Class A. Government or municipal concerns.

Class B. Accounts that from all one can learn, are perfectly safe for anything they order.

Class C. Accounts that want more careful handling and who must be carefully watched.

Class D. Customers who must be worried as soon as they exceed the month, and who must only be allowed small credit.

Cash. This class of customer needs no explanation.

When making out the statements the ledger clerks should put the customer's classification and ledger folio on the top of the statement form. The aim of the cashier should be to get out the accounts as early as possible, as few customers pay until they get a statement, which means that money is locked up unnecessarily long if statements are late in being sent out. Further, some customers pay the first accounts for which they receive application, and others have to wait until they get in more money. The first thing to be done, therefore, is to send off all statements not overdue

These Overdue Accounts are Graded for Follow-up Purposes

Now comes the problem of dealing with the overdue accounts. These are so graded, that whilst all are regularly given reminders, the Class D man, whose business is not worth having unless payment is prompt, is worried as soon as overdue, and followed up quickly.

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The A, B and C represent stock forms of gummed account reminders for sticking to statements, such as :

- A. "A remittance will be esteemed a favour."
- B. "This account appears to have escaped your notice. A remittance per return will oblige."
- C. "This account being overdue, a remittance by return is requested."

The following are stock form letters carefully drawn up and graded as follows :

- D. A letter to which no customer can take exception.
- E. A reminder that the customer has not replied to D.
- F. The two previous applications having been ignored, no offence can reasonably be taken at F., which should firmly intimate that the account cannot be allowed to remain longer, and requests payment by return.
- G. This should be a suggestion of handing the account to collectors.
- H. Final notice—usually seven days.

Before any overdue account is sent out, a record must be kept showing the method used to deal with it, and the following has been found to be the simplest and yet most satisfactory way to follow up.

An Easy Way of Automatically Following Overdue Accounts

The first month an account becomes overdue, a slip is made, size, say, 6 ins. by 4 ins., showing the details of how far the account is behind. In order to be uniform it is advisable to get a supply of slips printed ready for use. A good quality paper only is required, as this will enable more slips to be put in the folders than if cards were used.

The cashier then writes the date under the reminder to be sent and passes it, together with the statement,

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to typist, who does all that is necessary by adding the name and address to the form letter indicated and heads it with particulars of the account applied for.

In order to give a personal touch to the form letters it is suggested that, instead of having them printed or done on the duplicator, the typists might in their spare time type a supply of each.

The accounts having been despatched, the slips are filed on loose-leaf folders in numerical order according to ledger folio. One of the handiest folders obtainable is a loose-leaf note-book. These are made in various sizes.

A note should be made on these slips of any promises of payment received from customers, or a note of any dispute, or date when the traveller is calling, and thus will avoid reminders which, if sent, would give offence.

Following up is done every seven days. Before each period for following up arrives, the folders should be gone through, and slips torn out and destroyed where payment has been made. The folders will therefore only contain *unpaid overdue accounts* at any time.

This will be found to have advantages over card systems where the same card is retained month after month and paid items crossed through, as the latter entail cabinets which cannot always be kept conveniently near, whereas the above system enables the cashier to take the folder containing accounts to be dealt with on to his desk. Further, any information regarding previous accounts can as easily be obtained from the ledger as from a card.

How this System Works Out Successfully in Actual Practice

Let us now take an example of the working of the above system. A batch of statements is passed to the

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cashier on March 2. All accounts not older than February are at once passed for despatch. We now come to the overdue accounts.

The cashier takes his folder corresponding to the ledger from which the statements now before him were written. The first account to be dealt with is that of Mr. Robinson, who is owing for goods supplied in November. In the top left-hand corner of the statement we find a letter C, which indicates the class. In the right-hand corner we see K.1, which means K ledger, folio 1. Now the first slip in K folder would show that on January 3 reminder "A" was gummed to the account rendered. On February 2 reminder "C" was attached, and that on February 16 form letter "D" was written. The cashier now writes on the slip under heading E, "March 2," and passes the slip together with statement for the typist to complete the form letter indicated on the slip.

The next account for attention is that of Messrs. Blank Ltd, Class D, ledger folio K.4. They are owing for goods supplied in January. This is the first month the account has been overdue, and therefore no slip will be in the folder. The cashier takes a blank slip, fills in the folio and details of the account overdue, writes "March 2" under the heading D, and passes the slip together with statement to typist as before. In this case the typist completes not only the form letter, but the slip as well.

The next statement is for a Class B customer, folio K.5, who is owing for goods supplied in November. In the ordinary course form letter D would have been sent, but on reference to slip K.5 a note is found under "Remarks" which reads: "Traveller calling March 7." The statement is at once put on one side for post without any reminder. If the account is not paid to traveller when he calls, the account will, in accordance with

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time-table for following up, come forward for attention again on March 9.

When all the statements have been dealt with, the slips are filed on their respective folders in numerical order according to the ledger folio.

In seven days' time all paid slips are removed, and the remaining ones followed up. This time there will be no statement with which to deal. The cashier simply indicates on the slips the reminders to be sent and hands them to the typist.

Most up-to-date firms now keep a card index of their customers bearing the ledger folio, and the result of enquiries made when opening the account. All orders received should be passed through this index and the ledger folio marked on same.

As soon as an account of either classification gets to that stage when further supplies should be stopped, this should be noted in pencil in a prominent place on the index card, and the junior whose duty it is to folio the orders will then refer such cases to the cashier. This will be found very helpful, as, when dealing with large numbers of accounts, it is not wise to rely too much on the memory.

The cashier should scan one of the mercantile gazettes weekly for any registered information regarding customers, such as county court judgments, bills of sale, mortgages, debentures, etc. Any such information should be cut out and gummed to the index card, and when the folio is put on orders, attention called to it in the way mentioned above. This registered information is invaluable, and if the proper importance is attached to it and action taken accordingly, will often save bad debts that otherwise would be made.

Part V

CUTTING DOWN COLLECTION COSTS

Test and Temper

MONEY brought in by your third or fourth letter costs three or four-fold collection expense—plus the interest on capital rightfully yours but unavailable when due.

Accounts followed to last resort—even when collected—pull down the average. Finally comes a point where cost overshadows returns.

It's the collection steps before the successful one that knock off your credit account profits.

Test those steps.

Temper your collection tools to their tasks.

Find the best letter—the shrewdest paragraph—the cleverest device—the best follow-up.

Play your best cards first. Cut down the follow-up lists.

Keep discontented ; keep trying ; watch for something new—more intimate—more personal and far-reaching—more profitable.

Perfect your collection schemes and crowd down the cost.

Test and Temper.

CHAPTER XV

ECONOMIES THAT INCREASE PROFITS

HARD-HITTING collection paragraphs, according to the system of one cashier, are not lost after their first use. By keeping copies, numbering them and having the typist make up routine letters from the assortment of best paragraphs, the cashier has cut costs within his department one-third.

The correspondence book relieves him of a mass of details. Routine details no longer require him to dictate a complete letter or to shrug off the responsibility with an ineffective form letter. On the debtor's card or note the collector jots a few figures as 9-17-24-33. The letter which the typist makes up by copying the paragraphs thus referred to gets action on a questionable account in a collector's personal style.

Not only is this system easy to establish and easy to maintain, but it is one of the most important ways to save money within a collection department. The letter book permits changes within the department, the place to be in when putting the brakes on the cost machine. Expert credit men have found equally effective means to economise in the limitation of credits and in knowing when to stop—in fixing a policy with regard to how far a claim is to be pushed.

A correspondence book requires a few hours for its preparation and several weeks' practice on the part of the user. The process is simple, however, and well worth while. One credit man made up his book by going over old collection letter files, picking out the most forcible paragraphs, revising and classifying them. Another correspondent had an extra copy made of all collection letters for three months. At the end of that period he

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had his stenographer cut the paragraphs apart and arrange them by subjects ; going over these personally, he discarded a large number, chose the best and worked over the phrases to insure clearness and " you " interest.

How to Organise a Paragraph Book System for Your Collection Department

In each case, the mass of paragraphs was then pasted into a folio book and under titles such as " Opening," " Close," " Complaints," " Claims " and other subjects which would fit the stock arguments daily advanced by debtors to postpone payment. Each paragraph was lettered and numbered as " 0-1, 0-2 " for opening paragraphs and " CL-6 " for the sixth claims paragraph. Answering an ordinary collection letter with the paragraph book at hand becomes with familiarity a matter of jotting down the numbers of paragraphs which fit each case. The numbers written on the debtor's letter are copied on a collection card and prevent repetition of arguments.

One man who uses a correspondence book dictates a brief personal or closing paragraph when he particularly wants to get into close touch with his prospect. He is careful in this to make some personal reference to the debtor, his location and business, or to touch some intimate point which will get the reader's attention. The result is an extremely persuasive letter.

In checking up the saving made by the correspondence book system, one collector found that the paragraph notation handled one-third of the letters of the department, cut off a correspondent and permitted the substitution of a typist for a secretary. The combined saving exceeds £450 a year.

The correspondence book may be used in a business of any size. Selected paragraphs help in the big company,

but in a smaller concern a simpler letter-form book can be used effectively. This combines a form letter and paragraph book and is used when duplicate process letters have been found undesirable. The book is made up of entire letters which handle various collections at various stages. The letters are specially copied by a typist in every case, at the direction of the correspondent

*Corner-Cutting Plans which Eliminate Lost
Motion in the Collection Department*

Ingenious correspondents have worked out many other economies only less important than the devices to limit special dictation. Occasionally the employment of a solicitor in the collection department is good economy. A correspondent of this sort eliminates the fees required by the outside solicitor, reduces legal expense and divides the commission paid by the collector when he is compelled to send an account outside the firm for collection. He is under the eye of the chief credit man, understands the firm's policy and works accordingly.

Tests taught one credit man a variation of the staff solicitor scheme. He found that the solicitor's letter-head, more than his letters, induced the delinquent to pay up. Trial proved the worth of a new plan. Final collection letters, suited to the firm's system and policy, are written on the solicitor's stationery. He is paid a small fee for the balances secured in this way and gets all the court work of the collection department. A similar plan found effective by test is to pay for the use of an established collection agency's letter-heads and to write house letters on its stationery. The agency gets a fee for the accounts collected in its name.

Other ways of cutting corners continually suggest themselves in a well ordered collection department. The telephone may sometimes be used as an economy by the

retailer who can build up a tactful talk ; use of the telephone cuts retail costs and adds a direct personal touch to collection efforts. The street collector supplements mail efforts when debtors are too ignorant or indifferent to heed letters. The traveller can sometimes connect with a customer and save letter writing. He soothes the irritated customer ; he appears as the special emissary of the house ; he flatters, corrects blunders, and by a visit when the firm is at fault frequently saves a special trip by the collection man or his assistants.

*Selection of Applicants for Credits Kept Losses
to One Half of One Per Cent.*

While correspondence books and other methods of saving within the department are generally first considered and corrected by the management engaged in paring costs, the chief economy is the proper selection of applicants for credit.

The present credit manager of a local newspaper keeps collection losses down to one-half of one per cent., although four managers collected only sixty per cent. of outstanding accounts. The newspaper man has no magic wand to create a flow of money. His simple rule is to refuse credit to all applicants who are not listed by commercial agencies or who do not submit a satisfactory detailed statement of their resources. If investigation shows that the prospect is doubtful, cash with order is the rule. Business which does not come up to this standard is refused.

Backbone of this sort rebuilt the business of a retailer when it was on the point of dissolution. Facing stiff competition from the start, he had granted credit to doubtful applicants to keep their trade from rivals. When an audit of his books showed lingering accounts which should have been net profit, he changed former

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policies. Now he grants credit only to persons whom he knows are worthy of the favour. Doubtful applicants are politely refused and if they threaten to retaliate by trading at other shops, they are cheerfully allowed to depart. The retailer finds that his policy practically nets him two profits; first, the profit of goods sold for cash which would be lost if sold to a questionable account customer; second, the cost of the goods, which would also be lost.

Selection is not Always Infalible—Have a Second Line of Defence

Care in selecting credit customers and the willingness to see possible trade pass the door, smooths out the wrinkles in the credit man's brow; but an infalible choice between good and bad prospects is impossible at times. If the bad payer, therefore, gets by the first line of defence, have a second line ready for him. Fix the credit limit when you grant a customer account privileges. Then watch him and hold to the rule. When a customer fails to pay the just indebtedness at the time agreed, cut him off unless you know that there is sufficient reason for his action. Hoping to be paid and letting a "bad payer" run up bills in the expectation of getting money that has gone before is a brand of optimism which is being driven out of the retail world.

Let no man get on the books without a searching investigation as to his credit standing. In addition to aid received from the commercial agencies, wholesalers may get information on a man through exchange of information with other concerns or through the use of banks, solicitors or special investigators. The retailer has even better credit information sources in his personal knowledge of customers. He can personally check up statements made by the customer in applying for credit.

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He may know by common report the worth of a prospect. Instalment men, by closely questioning customers and checking various statements against each other, exchanging information, making their street collectors credit investigators and carefully studying the information gained, can limit the amount of bad debts.

Profits in collection hang on judgment—on a readiness to let the other fellow have a prospect's trade when conditions indicate that the applicant is a "something-for-nothing" man.

A third rule in profit making followed by credit and collection men is knowing the point where collect efforts even if they bring in money—result in losses. To know when to cancel a debt, pocket the loss and add another bit to the experience side of the ledger is to apply the law of "diminishing returns" to the collection problem. The collector's first letter yields the best returns; his second letter less; his third still less, and so on. As returns decrease, costs increase, until the place is reached where costs and profits balance.

The collector who knows this danger mark has reached an important point on the way to maximum efficiency in his department. There are several distinct policies as regards the lengths to which to push bad debts of various amounts. Some collectors spend shillings to collect pence and figure that their profit is the educational effect on bad payers. Many collection managers make severe examples of delinquents at first, in the effort to establish a reputation for carrying accounts to payment. Others keep their eye on the number of accounts collected rather than on the net profits of collecting. Study of your business and others in similar lines will point the way to a policy in this matter which will work out to maximum profit. Tests as outlined in the succeeding chapter will uncover many of these necessary facts.

CHAPTER XVI

TESTS THAT SHOW YOUR STRONGEST LETTERS

T IRED of guessing at results and wearying of haphazard excuses which failed to explain, the head of a manufacturing company called his accountant on the carpet.

He said, "Higman, the works manager, lets me know in advance what our output will be. Allen, the sales manager, lets me know to a penny the cost of selling goods. Let's put the Collection Department on the same basis. Find a way of trying out your schemes before putting them finally into action.

"I want figures—not guesses—from the Collection Department. I want to know in pounds, shillings and pence what returns I am getting from my investment in you. I want to know in advance when collections will be bad. Show me the results or reasons why. Give me facts—not fancies."

The straight talk from the hard-headed chief, coupled with a review of the records of the works manager and followed by a few days of mental burrowing for ideas, resulted in new methods in the Collection Department. The system which developed in the succeeding six months raised the average of returns twenty-five per cent. Satisfactory increases from the department have been shown ever since.

A collection quota based on records of previous years is now set for the accountant. Office results are computed with machine-like accuracy. Tests have charted the way so accurately that failure to meet the month's quota can in every case be traced to some influence outside the accounts department. The scheme which does the work is based on :

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1. Tested contents of letters.
2. Tested intervals between letters.
3. Tested length of the letter campaign.

A letter key is prepared as the first step in measuring collection returns. Many ways of keying have been tried with success. One man signs each collection letter in a series with a different name and asks the debtor to refer to the writer in replying. Another scheme is to enclose an addressed envelope which has initials marked on the back. Some firms trace results by asking the debtor to return the collection note with their remittance. Various letters in a series may show different business addresses. The amount enclosed may furnish a clue when returned to be receipted. If all the keys fail, the credit for the remittance is given the last letter sent.

Keys and Records which will Point the Way in a Collection Letter Campaign

Returns indicated by keyed letters are checked on monthly forms drawn up by a clerk. Rule a letter size sheet with thirty-one horizontal lines for the dates of the month. Then draw vertical columns corresponding to the number of letters used in the campaign. These columns may be divided into three parts. The space at the left shows the number of letters sent out during the day. The middle space shows the amount of cash received, and the space at the right, the number of replies received to the letter on the one day. The daily record, used in combination with the key, will determine most of the facts desired in relation to your collection efforts. Study of results attained will show the office worker efficiency truths which will materially raise his averages.

A man who tried a test saw that the third letter of his series ran far ahead of the results produced by the preceding two. A study of the third letter suggested that

it had an argument paragraph containing a subtle and seductive appeal. This was followed by a close carrying a note of urgency which the other two letters lacked.

Following the hint brought out by the test, he substituted the third letter for the first and checked the results as before. Returns, however, did not fully justify the change. Further study suggested the worth of the opening paragraph in the first letter. This was added to the argument and close of the third letter and made up the most effective letter he has ever developed. The tests secured a saving of time and routine, stamps, stationery and interest on the deferred payments.

*How a Credit Man Tested the Value of Enclosures
in his Collection Letters*

In another section of the country a mail order collector conceived the idea that a selling circular would get results if enclosed in the first collection letter. The directors scoffed at the idea of selling goods in connection with a dunning letter, but the collector finally won permission to test the scheme on a list of five hundred letters. The idea was successful; tests and records—cold figures—disproved office guessing and theories.

Whenever a wholesale house collector encounters the necessity of changing the text of a collection letter, he writes his copy and submits it, not to the critical whims of his office associates, but to some of his debtors. Often the tests run over an interval of six months, but the records so secured make up a table of results which allow the collector to predict with certainty just what his average of returns for the year will be.

If the time between collection letters seems too long, select a list of debtors, key trial letters and send them out on shorter intervals. Keep a record of results and

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let the debtor tell you by his payments whether the new idea is a good one.

The greatest danger of new schemes lies in depending upon impressions. Take no man's opinion, no matter how expert he is, on whether a new scheme is good or bad. Try it. Selecting the list is merely the application of business sense. Be sure that it is representative. Consult your credit records; consider the time of test and of letters; watch locality and class of population; note the little thing, such as weather and season of year. The time spent in making up lists for trial letters will pay for itself.

One man found the value of selection when a letter which tested well in the town failed utterly in the country. Analysis showed that the crisp, clean-cut business talk which won town traders had no appeal to the country man who had time to read a long letter. A new letter tested on a country list accurately forecasted results. The experiment failed the first time because the difference in temperament had not been considered. Thus tests mould your "copy" to suit your reader.

In another business, cause of failure lay in the difference in type between northern and southern men. Similarly, an implement man who was about to reject a letter which pulled in tests, but which failed in practice, reconsidered his action at the thought that the tests had been made in an off-season while letters had been posted during the farmers' busy months.

Tests demonstrate the folly of blindly following precedent and routine. They point with unimpeachable accuracy to good and bad letters. Tests show costs, estimate returns, detect blunders, check mistakes. Tests turn on the light in the collection department. The records are the proved charts by which the course of the collection correspondence may be accurately laid.

Appendix

SUCCESSFUL "SERIES" COLLECTION LETTERS

Follow Him Closely

RARELY does the first letter bring action. Nor the second. Follow-up letters will depend for their effect on their continuity and on the advance each one makes in the reasoning power of the recipient.

Deliberately design and plan your letters so that each provokes a feeling of uneasiness in the mind of the debtor until their sheer weight bears him down and forces his pen to his cheque-book.

Let him understand that these letters are not merely the productions of an automatic system, and therefore devoid of personal feeling.

Make him feel that his delay in payment is actually serious enough to merit individual attention.

Cause him to weigh up the disadvantages of a bad credit reputation with the advantages—to him—of keeping his money in his hand.

Incite him to make some sort of reply to your letters, and on that reply build your further attack.

Threaten only when threatening appears to be absolutely necessary and even then make the debtor feel that he alone is to blame, and that he can bear you no ill-will.

APPENDIX

FOLLOW UP LETTERS THAT BRING RESULTS

THE trouble about many collection letters is that they fail to carry any personal interest, they tend to the stereotyped form letter, and there is little or no relationship between succeeding letters.

Let each following letter convey some stronger suggestion than the preceding one, and let them force on the debtor the conviction that the least he can do is to provide some adequate and acceptable explanation for his tardiness, or a payment on account, or give a definite date when he will settle the account.

These five letters are used with good results by a manufacturer :

Will you kindly give your attention to our account of October 12th for £8 15s. which according to our records has not yet been paid? In all probability you have inadvertently overlooked this matter, and no doubt you will wish to send us your cheque to-day in settlement.

The second letter is sent when the account becomes a month overdue :

You have no doubt a very good reason why our account of October 12th for £8 15s. has not been settled, but without knowing what that reason is we may be forced to jump to the wrong conclusion.

Won't you let us know what the difficulty is that is tending to injure your credit reputation?

Better still, enclose your cheque in the attached envelope, and then there will be no need to bother about an explanation.

While the third is used when failure to pay brings the account overdue two months :

I wonder if you have ever thought seriously just what a valuable asset is a good credit reputation? It is a little difficult to expect this credit reputation to continue while our account of October 12th remains unpaid, especially when you don't even reply to our letters

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about the matter. The good name of your business is at stake, and surely it is worth saving?

Just post us your cheque to-day for £8 15s., an amount which is long overdue, and retain the very pleasant business relations we have always had.

Sometimes this letter is substituted for the third, or it may be used as a fourth letter :

Our Sales Department is most careful in its discrimination to get the best dealers in each of our distribution areas, and it usually happens that the best dealer from every point of view is also he who earns his cash discount. Perhaps you agree that the granting of credit rests on three things, character, capacity, capital, and the latter is frequently dependent on the first two.

We know you greatly value your credit reputation and it would seem to us that through some fault in your accounts department our invoice for £8 15s. of October 12th has not been settled and that you have not taken advantage of the discount to which you were entitled had the date for payment been kept.

Or, perhaps, we have been careless in our post department and the cheque has gone astray—will you kindly look into this and give the matter your immediate attention?

When the debtor gets three months behind a little more peremptory tone is adopted in this letter and sterner action is threatened :

For over three months we have endeavoured to get our invoice of October 12th for £8 15s. settled, but so far we have been unable to collect this sum

Of course, we are very sorry, because it rather checks our keen effort to help our customers and keep their business coming along to us regularly.

We can't understand why you delay payment because the account is considerably overdue. We filled the order promptly in the belief that you would reciprocate when the time came for paying for the delivery.

You surely do not wish us to use extreme measures, but your slowness about this matter suggests that you prefer we take this course

We must ask you finally to let us have your cheque for £8 15s. within seven days, otherwise you will force us to hand this matter over to our solicitors with instructions to take immediate action.

The suggestion that there may be some error in the

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account is used by another business man on the principle that an incitement to correspondence may result in a quicker settlement. Here is his first letter :

We wish to call your attention to the balance of £32 which is now overdue on your account, this sum being covered by our invoices of June 8th and July 4th.

Won't you please give this matter your attention and let us know by return if you find our invoice does not check up with your accounts?

We feel sure, however, that you will find everything correct and that you will not fail to send us your cheque in settlement.

An alternative letter suggests that there might be some fault with the goods :

Ten days ago we posted you our monthly statement showing a balance of £32 outstanding on your account, this sum being covered by our invoices of June 8th and July 4th.

We are just wondering whether there was anything faulty with the goods we supplied, or if you found any discrepancy on the invoice, or it does not correspond with your records.

We believe that you will find everything correct and we look to you to send us your cheque in settlement within the next few days.

This letter conveys the impression of doubt about the satisfaction of the customer with the transaction and closes with the suggestion that everything is correct and that the cheque is ready.

As this is your busy season we are loath to bother you with too much correspondence, but we would remind you that you have not answered our letter of September 3rd regarding the £32 which is overdue on your account.

When a good customer like yourself fails to settle his account within the usual period we are very eager to know if there has been any cause for complaint that we can remedy. Will you please let us know by return if there is any such reason, and why you are unable to send us your cheque?

Doubtless the cheque is already made out and is now waiting to be sent to us.

Oversight may be the reason for delay and a reminder is timely :

FOLLOW UP LETTERS THAT BRING RESULTS 157

Our letter of September 10th was written to draw your attention to the amount of £32 outstanding on your account.

We have not heard if this account is not clear to you, and, of course, we would like to know if there is anything wrong with it so that we may take immediate steps to correct any error that has occurred.

Of course, it may merely be due to an oversight that you have not sent a cheque, and in that case do not bother to write us a letter, as we ourselves are sometimes guilty of oversights. But do not fail to let us have your cheque in the enclosed envelope by return.

As an alternative to the last one this letter is a little stronger in its suggestion of urgency :

We fail to understand just why you are withholding payment of the £32 which is already very much overdue on your account, and why the letters we have sent to you have not been answered.

The account, being so long overdue, has probably been put aside for attention, and mixed up with other papers and forgotten, but that doesn't help us

It is far from our wish to cause you any embarrassment in this matter, but we must ask you to let us know by return of post just when we may expect your cheque

While the following implies a doubt as to the worth of a customer's account and points to the need for immediate attention :

We fail to understand why you are allowing our account of £32 to remain unpaid so long. Some weeks ago we first wrote to you on the matter, and have done so on several occasions since, but failure to draw any response from you leads us to believe that you either question the correctness of the account or that some oversight or carelessness, for which you personally are not responsible, has prevented its payment.

We would not like to consider you as one who disregards these just applications, as we always feel a certain pride in the knowledge that we have been able to build up a class of customers with whom business is a very agreeable thing

Maybe you find that it is quite impossible to settle this account in full at the moment, but at least you can make a payment on account and give us a definite date on which we may expect the balance

Our service is always at your command, and we believe that you have found our co-operation valuable, and that you would not completely ignore this

In the circumstances we trust that a cheque is being posted to us to-day, or at any rate some sound explanation which we can accept.

158 HOW TO COLLECT MONEY PROMPTLY

Your failure to do this will indicate that you do not hold our co-operation as of much importance, and that you would leave us free to take the necessary steps to protect our interests.

The feeling that the matter is of sufficient importance to warrant the attention of the head of the firm is sometimes enough to prompt a delinquent debtor to action. In this letter the Managing Director takes the situation in hand and points out tactfully the unpleasantness which might result from forced collection by the usual harsh routine methods :

I would like you to tell me frankly, Mr. Brown, why you have not sent us a cheque in payment of the enclosed account which, as you know, is very much overdue. I have enclosed the stamped and addressed envelope so that your reply may be regarded as confidential and will reach me personally.

Knowing our weaknesses I believe that procrastination is to be blamed for your failure to answer our letters, and it is just because I know how guilty I am myself in that respect that I have taken this matter out of my Accountant's hands to deal with personally, as I would not like to feel that an unintentional default on the part of so good a customer has slipped into our usual routine methods which, perforce, are not always pleasant. Won't you now sit down and write me a personal letter, just telling me what your difficulties are, and give me a definite date on which I may expect payment—of course, if you can send your cheque in the envelope instead of the letter it will be much better.

Or this letter which explains the need for stern measures and at the same time keeps the door open for further business by stressing the importance of the customer's business and suggesting a further order.

To-day I looked over some letters my Accounts Department have been sending you, and it occurred to me that they were a little strong and might conceivably give offence.

Believe me, nothing is further from our minds, as we value most highly the business you pass to us. At the same time, we can only carry on the factory if payments come in to date, and overdue accounts in such a large business as ours have necessarily to be dealt with according to a determined routine.

You will agree with me that in yours as well as in our own business it would be suicidal to allow accounts to run on without adopting some restrictive measure.

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I don't want you to feel that we are what is commonly called "nasty" about the matter, because, of course, we cannot know what your reason is for withholding payment. It may be a good one and possibly due to some fault of ours, but I would like you to reply to this letter and let me know when you can send a cheque.

It is about the time you normally order fresh supplies, why not send us your order now and enclose your cheque for the last consignment?

It may seem somewhat inconsistent to suggest to your debtor that he should enclose an order with his cheque, what time he is still owing on an overdue account.

But it is very often the case that a delinquent debtor feels that his inability or his neglect to carry out his obligations has so reduced him in the opinion of his creditor that he regards business relations as at an end and that consequently there is no need to hurry to settle his account.

The tactful suggestion that further business will be welcomed puts the debtor on his mettle, and frequently puts an end to his dilatoriness.

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